Report

of the

House Interim Committee

on

Student-Based Higher Education

Funding Reform Models

December 12, 2005

Speaker Pro Tem

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MISSOURI
HOUSE OF REPRESENTATIVES
CARL BEARDEN
State Representative
District 16

December 12, 2005

Honorable Rod Jetton
Speaker of the House
Room 308 Capitol
Jefferson City MO 65101

Dear Mr. Speaker:

Pursuant to your directive, the House Interim Committee on Student-Based Higher Education Funding Reform Models has held its meetings to investigate the ways in which state funding can be focused more on students than on institutions. The Committee traveled to three higher education institutions, some in areas that legislative committees rarely visit.

The Committee was aware from the outset that the need for state support for students is profound. However, testimony did not reveal any easy answers to the question. The Committee looked at context-setting information, both for higher education in the United States and for higher education in Missouri, and it heard similar testimony from the sectors within higher education. Dr. Paul Lingenfelter from the State Higher Education Executive Officers organization presented much of the broad contextual material and suggested policy-related questions to consider.

As of the writing of this report, the consensus of the Committee was that the best interests of students would be served with a factual overview, drawn from many sources, rather than to suggest legislation.

The Committee is grateful for the chance to investigate this crucial issue and is pleased to submit the attached report.

Respectfully submitted,

Representative Carl Bearden, Chair
House Interim Committee on Student-Based Higher Education Funding Reform Models

REPORT OF THE

HOUSE INTERIM COMMITTEE

ON

STUDENT-BASED HIGHER EDUCATION

FUNDING REFORM MODELS

COMMITTEE MEMBERS

Representative Shannon Cooper

Representative Doug Ervin

Representative Tim Flook

Representative Esther Haywood

Representative Steve Hunter

Representative Gayle Kingery

Representative Sara Lampe

Representative Beth Low

Representative Scott Rupp

Representative Sue Schoemehl

Representative Carl Bearden, Chair

We, the abovesigned members of the House Interim Committee on Student-Based Models for Higher Education Funding Reform, do hereby respectfully submit our report to the Honorable Rod Jetton, Speaker of the House.

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A. Charge to the Committee

The Interim Committee on Student-based Higher Education Funding Reform Models may consider and report to the General Assembly prior to January 1, 2005 revisions to the mechanism by which funds are appropriated by the General Assembly and distributed to higher education institutions in Missouri. The Committee may also review and make recommendations on the methodology and configuration of scholarships, grants, and other financial assistance provided to students attending accredited higher education institutions in Missouri.

B. Committee Activities

From September through November of 2005, the House Interim Committee on Student-Based Higher Education Funding Models held meetings at University of Missouri-Columbia, at Three Rivers Community College in Poplar Bluff, and at Southwest Baptist University in Bolivar after a brief organizational meeting at the Capitol. The Committee heard testimony from state officials, college presidents, and representatives of the different sectors of higher education, as well as receiving context-setting testimony from a national expert. The Committee also received written testimony, in some cases as a follow-up to questions raised in testimony and in some instances from stakeholders who were not able to appear in person. Summaries of the testimony at each meeting are included as Appendix 1. Appendix 2 contains material that was distributed to the Committee at the meetings and some that was provided subsequently, in response to Committee questions.

Appendix 1

Summary of Testimony at Hearings

October 10, 2005
University of Missouri-Columbia

Present: Reps. Bearden, Cooper (120), Ervin, Hunter, Kingery, Low (39), Schoemehl

Presentations:
Donna Imhoff, budget analyst for the Department of Higher Education, outlined the current appropriations cycle, which begins with institutional discussions in late spring, moves to the Coordinating Board for Higher Education by August for approval in October, proceeds through the Governor's recommendations in January, until final approval the first week of May. There is no formula for requests at public four-year institutions, but there is a formula for distribution to community colleges, based on percentage of aid received. There is also an equity formula for community college aid increases over 2%. There have been ad hoc equity adjustments to a few four-year schools–the four-year schools get an individual line item appropriation per institution, while the community college appropriation is a lump sum--but no agreed-upon annual equity adjustment for four-year public institutions exists.

Dr. Gregory Fitch, Commissioner of Higher Education, presented a concept for budget and appropriations to help improve affordability, accountability, competitiveness, and benefits from higher education. The base concept involves sorting budget items into mandatory items (utilities, retirement contributions, etc.); first priorities and additional priorities for new core decision items; and performance funding, which would be two-tiered with a few universal measures and three to five institution-specific measures. As additional money becomes available for mandatory, that money can be freed up for the agreed upon purposes.

The measures should be relatively few in number and well-chosen. For instance, a community college or Linn Tech might not emphasize degree completion so much as upgrading existing skills and job placement. A college with a large part-time enrollment may want to focus on headcount rather than full-time equivalents (FTE). This method could also reward partnerships, both with other schools and with businesses. There needs to be a structure to bridge the gap between higher education and the General Assembly.

Dr. Elson Floyd, President of the University of Missouri, spoke about the UM system's mission of education, research, public service, and economic development. About 75% of its budget goes to personnel costs, so budget shortfalls virtually force layoffs. This is typical for a large state university in any state. The president's recent tuition freeze tour got mixed reviews: parents like it; business is skeptical; alumni are concerned with flexibility; and students suspect that incoming classes will bear a higher burden than they would otherwise. There are not a lot of examples from which to glean best practices. Missouri has to take into account how contiguous states are

marketing their colleges. One way to approach tuition is to ask the General Assembly to increase the appropriation by the Higher Education Price Index (HEPI) and require the institutions to match that. If the General Assembly doesn't meet the HEPI figure, the tuition may rise by the HEPI amount.

Dan Peterson, director of student financial assistance, presented information from the CBHE task force on student financial aid. The state's programs have been developed independently over time, so they have different qualifications and different objectives. Some student-help programs are administered through state agencies other than CBHE. Three programs were created and then discontinued for financial reasons, while others were created but never funded. Eight functioning programs remain. Because the topic is so large and so complex, the task force broke its work into short and long term goals. It is difficult in some instances for financial aid counselors to get parents and students to understand why a student may qualify for an initial award and not qualify for a subsequent award, or why eligibility requirements or filing deadlines are different. The task force has made its first set of recommendations: several things can be done. One possibility may be to consolidate Gallagher and Guarantee, which could leverage additional federal moneys if done correctly.

October 20, 2005
Three Rivers Community College
Poplar Bluff MO

Present: Reps. Bearden, Ervin, Flook, Haywood, Kingery, Schoemehl

Presentations:
Dr. Paul Lingenfelter of the State Higher Education Executive Officers presented data from his study that helps place Missouri higher education in a global, then national, context.

Twelve countries surpass us in higher education rankings, and India and China are poised to do so. About 2% of our graduates were engineers–India had more than 10% and China close to 20%. About 9.6 million college-education-level service jobs could be outsourced, which would bring unemployment to more than 11%. The United States needs its middle third of people educated to be world class workers. Only 9% of high school graduates don't plan to get some higher education.

How, then, to improve quality?
1. Recognize responsibility is shared;
2. Pride, not fear, motivates;
3. Self-discipline.

Establish and honor division of labor; focus on a few priorities (3–no more than 5); set goals and publicize them; stay focused; don't use student learning as an incentive (because then schools don't want to include the struggling student); supply resources.

In general, higher education needs to do a better job of relating to K-12; higher education should use its remedial data to fine tune K-12 instruction. If you're arguing about the rules instead of doing the work, you're probably overmanaging. It's the governing board's responsibility to hold president's feet to fire. Open enrollment schools need more stature. Missouri's higher degree productivity reward is low–it's all right up to the associate level, but $5,000 low at the bachelor's level. Some of this has to do with what jobs are available here. The bottom half of social economic levels is underrepresented. Missouri gives very little support to Pell Grant recipients.

Dr. Terry Barnes, President of Mineral Area Community College, representing the Missouri Community College Association, gave an overview of the state's community colleges. Community colleges have increased enrollment 17% since 2000 to a 210,000 headcount–150,000 associate degree seeking and 60,000 in employee training. A community college may be considered successful if it enrolls 4 to 5% of its local population.

Associate level salaries are actually greater than bachelor's in some health, technical, and engineering occupations. Community college teachers are not tenured and usually teach 30 credit hours a year.

The real institutional cost of community colleges is about 33% of the four-year institutions. Average tuition at community college is $72 per credit hour, while state aid per FTE is approximately $2500 versus $7800 for four-year institutions. Community colleges bring in $135 million in local tax revenue annually. Community colleges view themselves as locally owned and state assisted.

Among community college students, 75% need financial aid, 70% work part-time, and 50% need remediation. The average age of such students ranges from 27 to 29.

Community colleges believe they need more affordable entry. There is no state funded transfer scholarship. About $800,000 of $40 million of state aid goes to community colleges; if A+ is included, the figure rises to 25% of the aid going to the schools that produce 32% of the graduates. A community college degree gives a 9.8% return on investment.

Placement, rather than counting of graduates, is a good yardstick for community colleges because community college students frequently stop out. Four percent of community college students are BA/BS reverse transfers for job skills.

Before 1993, community colleges were funded on a "reimbursement for credit hour" model; they are now funded on a resource allocation model, which has worked fairly well except that the explosive growth of Ozarks Technical College and St. Charles Community College has stressed the system, which is cost-indexed to 1993. As a result, these two institutions are underfunded. As additional funds become available, they are split among these two plus Three Rivers and Moberly.

November 4, 2005
Southwest Baptist University
Bolivar MO

Present: Reps. Bearden, Ervin, Flook, Hunter, Low

Presentations:
Dr. Paul Taylor, President of Southwest Baptist University and Rose Windmiller, Director of State Relations at Washington University, presented a demographic overview of Missouri's independent institutions. Dr. Taylor reminded the committee that if the state had to subsidize the education of the more than 116,000 students at independent institutions, it would be a burden. Students at independent institutions constitute about 47% of Missouri higher education. Independents have a disproportionately large effect economically, since a large portion of their students come from out-of-state. Students at-risk tend to do better in the smaller schools, and independents have a higher rate of graduation for their first-generation students. Dr. Windmiller discussed the diversity of independent institutions; Washington University is at one end of the scale with a very large graduate program and many out-of-state students.

Jocelyn Strand presented a brief summary of the A+ program, which is administered by the Department of Elementary and Secondary Education. In the early years of the program, high schools received grants to help them complete the necessary reforms such as eliminating the general education track. The program was targeted at the middle half of students, who might never consider a bachelor's degree. The intent was to reform high school, raising standards for everyone and getting some postsecondary education to develop a skilled workforce. As the program grew, the focus shifted from school grants to funding as many applicants as possible, and students realized they could get an associate of arts degree and then transfer to a four-year school to complete a bachelor's degree. The program no longer funds book purchases. DESE is looking at who needs remediation to complete the circle to the original intent–high school reform.

Dr. Paul Taylor spoke again on the A+ program, presenting the reasons he believes the program needs to be broadened to include four-year institutions, both public and private. Even public four-year institutions have seen freshmen enrollment declines since A+ has been implemented.

Dan Peterson of the Department of Higher Education said the Enhanced Missouri Student Achievement Survey data could permit tracking of A+ students who had transferred to public four-year institutions.

Dr. Michael Nietzel, President of Missouri State University, presented some context-setting material, much of which focused on the economic development effects of higher education. The annual rate of return on a bachelor's degree is 12% versus 7% on the stock market. Each year, about $230 billion and one million jobs are spun off from intellectual property that originates in universities. Dr. Nietzel also described his experience with higher education reform in

Kentucky, which revised its system in the late 1990s. The emphasis in Kentucky is now on cooperative programs for cost efficiency. The community college system was removed from the University of Kentucky's purview, and a standing commission consisting of equal numbers of members from the Governor's office, House, Senate, and the Commission on Public Education was created to meet quarterly and keep the focus on higher education achievement.

Representative David Pearce attended the meeting and introduced Dr. Aaron Podolefsky, the President of Central Missouri State University, who spoke briefly of his experience with higher education reform in other states.

Appendix 2

Attachments of Information Provided at Hearings and Other Pertinent Information

Document 1:
Missouri Public Institution Funding Model provided by Dr. Greg Fitch
Publication date of October 4, 2005

Missouri Public Institution Funding Model

The Institution Funding Model is made up of three main categories reflecting new funding. The categories include Mandatory Expenses, New Core Decision Items, and Performance Funding.

Mandatory Expenses – This category contains the costs necessary to keep the institutions operating at status quo. One portion of these costs consists of staff benefits including health care and retirement. Additional mandatory costs include utility expenses, information technology and supplies and services. The costs in this category are calculated as a percentage of the core funding currently received by the institutions. In FY07 this category will include any increases incurred since January 2005.

New Core Decision Items - All institutions have different needs because they have different missions to fulfill. This category allows the institutions to show financially what is most pressing after mandatory expenses have been met. The first area within this category is called First Priority. This area contains each institution's number one choice of funding if new money is available. The next area within the New Core Decision Item is called Additional Priorities. This area allows each institution to show costs for additional needs beyond their top priority. Costs of items in both areas are calculated by the individual institutions. Any funding for this category will occur only if the financial situation of the state allows such.

Performance Funding - This category allows institutions to receive additional funding in the future if performance expectations are met. The performance measures will be established and agreed-upon for each institution based on such areas as enrollment levels, graduation rates and student satisfaction and will include any measures required in future higher education legislation. There will be some basis for similar performance measures related to general/like services provided by the institutions as members of the system. However, the institutions may include additional institutional measures reflecting the individual mission of regional service responsibility. Funding in this category is to be projected based upon institutional performance levels and suggested as state revenue becomes available. The performance response and state support should parallel each other. A certain percentage of each institution's core funding would be tied to each of the performance measures. If the individual performance measures are met, a percentage of the institutions' core funding will be requested only after previous appropriation levels to the institutions have been reached. Including this performance funding category now gives advance notice to the institutions and the legislature.

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Proposed Institution Funding Model

Mandatories		New Core Decision Items				Performance Funding	
		1st Priority		Additional Priorities			
Benefits	$	Operation/ maintenance of building	$	Infrastructure technology	$	Enrollment levels	$
Utilities	$	Center for Excellence	$	Need-based financial aid	$	Graduation rates	$
Information technology	$	Continuous Improvement initiative	$	Institute for life science	$	Student satisfaction	$
Supplies and services	$					Comparative cost and productivity data with peer institutions	$
Total Mandatories	$0	Total Priorities	$0	Total Priorities	$0	Total will be % of core based on number of measures met in the future	$0

Four-year University
Institution Funding Model

Mandatory Expenses

CMSU	$17,763,068
HSSU	$3,237,525
LU	$5,528,355
MSSU	$6,967,004
MWSU	$6,852,819
NWMSU	$9,855,924
SEMO	$14,464,563
MSU	$26,497,670
TSU	$13,453,491
UM	$132,270,389
Health Insurance	4%
Retirement	6.5%
Utilities	4.5%
Information Technology	14%
Service and Supplies	4%
Total Mandatories	$236,890,808

New Core Decision Items

1st Priority

CMSU (Cost Factors)	$5,043,199
HSSU (Operation/Maintenance of the Business Adm. Bldg.)	$401,808
LU (USDA Farm Bill Match Requirement)	$1,721,899
MSSU (Continuous Improvement Initiatives)	$5,205,000
MWSU (Equitable Per Student Funding)	$3,873,558
NWMSU (Economic Dev. - Center of Excellence for Plant Biologics)	$3,975,795
SEMO (Operations and Maintenance & Repair)	$5,581,600
MSU (Equitable Per Student Funding)	$2,677,093
TSU (Quality and Affordability: Cost to Continue)	$5,171,486
UM (Preparing the Next Generation of Health Care Professionals)	$20,000,000
Total First Priorities	$53,651,438

Additional Priorities

CMSU (Campus-level FFR Projects $50,000; Student Access & Affordability $4,000,000; Information Technology Lifecycle Funding $551,100; Plant - M&R $1,138,132)	$5,739,232
HSSU (Upgrade Institutional Research & Enhance Student Development $336,475; Replacement & Necessary Support of IT Infrastructure $256,900; COLA & Other Needed Salary Adjustments $750,235; Equip. Replacement and E&E Information Increases $179,554; Improved Provision for Building M&R $442,450; Operation/ Maintenance of Physical Education & Visual/Performing Arts Center $324,010)	$2,289,624
LU (Matching Grants $682,455; Core Restoration $529,191; Marketing Program $200,000; VoIP Telephony Request $574,253)	$1,985,899
MSSU (M&R 2,144,835; Campus Technology Infrastructure $4,115,000; Inflation $1,250,251)	$7,510,086
MWSU (The Institute for Industrial & Applied Life Sciences $300,000; Integrated Hardware/Software Funding $4,660,000; On-going M&R $1,048,498)	$6,008,498
NWMSU (Inflationary Increases $2,761,209)	$2,761,209
SEMO (Matching for Need Based Financial Aid $1,000,000; FFR $125,000)	$1,125,000
MSU (Restoration of Excess Cuts to Higher Education FY2003 & 2004 $4,317,557; Cost to Continue $7,263,680)	$11,581,237
TSU (Need-based Financial Aid $500,000; Performance Excellence Funding $1,440,000; M&R $1,084,100)	$3,024,100
UM (Cost of Operating New & Renovated Facilities $3,382,135; Student Access - Missouri Endowed Scholarships Program $4,000,000; Missouri Endowed Chair Program $2,000,000)	$9,382,135
Total Additional Priorities	$51,407,020

Performance Funding

CMSU	$807,412
HSSU	$147,160
LU	$251,289
MSSU	$316,682
MWSU	$311,492
NWMSU	$447,997
SEMO	$657,480
MSU	$1,204,440
TSU	$611,522
UM	$6,012,290
Enrollment levels	$
Graduation rates	$
Student satisfaction	$
Comparative cost and productivity data with peer institutions	$
Total will be % of core based on number of measures met in the future	$10,767,764

Community College
Institution Funding Model

Mandatory Expenses

Crowder	$1,485,546
East Central	$1,724,318
Jefferson	$2,530,037
Metropolitan	$10,511,010
Mineral Area	$1,657,632
Moberly	$1,601,935
North Central Missouri	$818,289
Ozark Technical	$3,090,062
St. Charles County	$2,314,593
St. Louis	$15,113,907
State Fair	$1,757,543
Three Rivers	$1,396,690
Health Insurance	4%
Retirement	6.5%
Utilities	4.5%
Information Technology	14%
Service and Supplies	4%
Total Mandatories	$44,001,562

New Core Decision Items

1st Priority

Cost to Continue	$3,437,646
Crowder	$114,590
East Central	$135,568
Jefferson	$194,936
Metropolitan	$817,067
Mineral Area	$128,284
Moberly	$125,861
North Central Missouri	$64,891
Ozark Technical	$244,556
St. Charles County	$182,021
St. Louis	$1,183,450
State Fair	$136,808
Three Rivers	$109,615
Total First Priorities	$3,437,646

Additional Priorities

Rejuvenate Foundation Application	$2,362,323
Maintenance and Repair	$207,200
Crowder	$88,042
East Central	$99,942
Jefferson	$150,139
Metropolitan	$617,416
Mineral Area	$97,871
Moberly	$92,924
North Central Missouri	$46,940
Ozark Technical	$177,685
St. Charles County	$134,115
St. Louis	$880,250
State Fair	$103,074
Three Rivers	$81,124
Total Additional Priorities	$2,569,523

Performance Funding

Crowder	$67,525
East Central	$78,378
Jefferson	$115,002
Metropolitan	$477,773
Mineral Area	$75,347
Moberly	$72,815
North Central Missouri	$37,195
Ozark Technical	$140,457
St. Charles County	$105,209
St. Louis	$686,996
State Fair	$79,888
Three Rivers	$63,486
Enrollment levels	$
Graduation rates	$
Student satisfaction	$
Comparative cost and productivity data with peer institutions	$
Total will be % of core based on number of measures met in the future	$2,000,071

Linn State Technical College
Institution Funding Model

Mandatory Expenses		New Core Decision Items				Performance Funding	
		1st Priority		Additional Priorities			
LSTC	$1,498,254	LSTC (Increased Participation)	$460,300	**LSTC** (Preparation in Using Distance Learning Technologies $792,080; Inflationary, Maintenance and Increased Operating Costs $830,896; Faculty Salary Parity/New Program Offerings $946,000)	$2,568,976	LSTC	$68,103
Health Insurance	4%					Enrollment levels	$
Retirement	6.5%					Graduation rates	$
Utilities	4.5%					Student satisfaction	$
Information Technology	14%					Comparative cost and productivity data with peer institutions	$
Service and Supplies	4%						
Total Mandatories	$1,498,254	Total First Priorities	$460,300	Total Additional Priorities	$2,568,976	Total will be % of core based on number of measures met in the future	$68,103

Document 2:
Missouri Higher Education Financing Symposium information provided by Dr. Elson Floyd
Publication date of July 26, 2005

Missouri Higher Education Financing Symposium

Tuesday, July 26, 2005
University of Missouri-Columbia
Reynolds Alumni Center

The University of Missouri and the Harry S Truman School of Public Affairs at MU co-sponsored the **Missouri Symposium on Higher Education Financing**, July 25-26, 2005, in Columbia. The focus of the sessions was to provide policymakers and the public with a glimpse of national issues related to higher education financing, how other states have approached funding, and to provide perspectives of lawmakers in Missouri. Nearly 100 individuals from across the state, including many legislators and higher education leaders, were in attendance.

Summaries of each session can be found in this packet and also are available online at http://www.umsystem.edu/ums/departments/gr/symposium.shtml

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Welcoming Comments

University of Missouri President Elson S. Floyd

University of Missouri President Elson S. Floyd welcomed conferees to the Symposium on Higher Education Financing. He said the Symposium, which was organized by the Harry S Truman School of Public Affairs, was inspired by discussions within the Missouri higher education community and in the Missouri General Assembly regarding state and national trends in higher education finance and the future of Missouri's higher education infrastructure. He noted the attendance of national experts in higher education finance, state legislators and legislative staff, and top leaders from the state's public universities. The Symposium affords conferees with an opportunity to review the current factors that guide how higher education is funded in Missouri, look at issues of affordability for students and their families, and begin thinking about best practices that can be applied in Missouri.

"We know that there has been a lot of instability in Missouri's system of higher education," Floyd said. "We know that we have not been able to predict with accuracy where we are going both now and into the future. It is our hope that we will be able to engage in a very broad and active conversation about that going forward." Floyd expressed the hope that the Symposium would stimulate an active and thoughtful public policy dialogue about the costs and benefits of education, whether the discussion was about four-year institutions or two-year community colleges.

Financing Issues in Higher Education

Dennis Jones, President, National Center for Higher Education Management Systems

A key theme of Dennis Jones' presentation was the challenge of identifying statewide goals and tying higher education funding policy to the notion of meeting those goals. A secondary theme focused on Missouri's difficult economic situation and the lack of public support for increased taxation.

According to Jones, most states develop higher education budgets incorrectly. The emphasis is not on how higher education is meeting state needs, but rather on "who gets what."

Higher education policy is becoming more oriented toward the public agenda. "Institutions have their plans and budgets and have to be assessed and held accountable, but at the next level there are questions about what are the state's priorities, how does the state put dollars behind those priorities, and what does accountability look like juxtaposed to that set of priorities?" Jones said.

Noting his previous work with the Missouri Business and Education Partnership and the Governor's Commission on the Future of Higher Education, Jones said that in both cases they attempted to focus on priorities. "I think it is safe to say those were very hard sells in the state of Missouri," he said. "The notion of trying to build consensus around a set of statewide priorities that higher education could serve, rather than as institutions that could receive, was a very difficult and in some ways futile conversation here."

All states have some common higher education goals: high school completion; getting high school graduates to attend college; achieving a strong graduation rate; and then having those graduates stay in the state and gain employment in fields that help the economy. Missouri does not have an economy to support the graduates the state is producing. Noting his past research in Missouri, Jones said "one of the priorities we promoted was the expansion and diversification of your economy. The economy you have is not big enough to sustain continued support for higher education or a high quality of life for your citizens."

Like most states, higher education in Missouri faces increased competition from other areas of state government, particularly Medicaid and elementary and secondary education. Although many institutions have increased private fundraising and grants, those items only serve to support specific programs, not general operations. "What it boils down to is how much does an institution need, and who is going to pay for it – the students or the taxpayers?" Jones said institutions cannot look to private funds to fill the gap between what is needed and what comes from the state and student fees. "Those funds are gravy, they help, and they often provide the margin of excellence, but they are not what keep the railroad running."

Another challenge is that legislators and governing boards have very different goals and timetables. "There's always a tug of war about what goes first, tuition or appropriations," Jones said. "Seldom is there consensus about what we are pursuing and how does this policy link to that pursuit."

Jones noted that many states look at funding per student, or FTE levels, to measure growth or success and in some cases this is used to drive funding formulas. Often the count is made after the third week of the semester, "which provides an incentive to recruit students, but there is no incentive for them to be successful." The British do the calculation at the end of the semester and count course completions. "That sets a very different message, a very different set of expectations, as to what you are trying to accomplish," he said. "It is the same amount of money being put into the system, but at one end they are rewarding success, the other is simply rewarding activity. How the money flows, and what you use as the matrix, is important in this conversation."

Jones emphasized that policy must be affordable both for the student and the taxpayer, as well as be transparent. "When you look at it, you have to know what is driving it," Jones said. "If legislators can't see what's going on in the black box and how tweaking this changes this over here, then it will not have a lot of credibility." Policy also must reward responsiveness and creativity, and provide some support for meeting state needs.

Nationally, there are many examples where tuition has been going up as state appropriations go down, as has been the case in Missouri. The amount higher education receives is normally determined by the amount left when everything else is taken off the table. "Higher education is the budget balancer – it's the piece that has a third party payer called the student," Jones said. "Criminals don't pay their share, but students do. And that's the one place where states can offset part of their expenditure to somebody else." As a result, higher education gets hit hardest when the economy is bad, but it also can sometimes gain the most when the economy is good. However, in the current economic

turnaround most of the increase in funding for higher education is focused on capital improvements – bricks and mortar – not operating expenditures.

A successful higher education policy requires three things: a clear sense of state priorities; support to create and maintain the necessary capacity; and alignment of policies related to institutional support, tuition, state student financial aid, and institution-based financial aid. Jones said we have a lot of work to do in Missouri and in the nation. Only 29 out of every 100 ninth graders in the U.S. finish a four-year degree in a reasonable amount of time. Globally, the U.S. ranks 11th in the percentage of 25-34 year-olds with a baccalaureate degree. By the end of the decade, the U.S. is projected to be in 17th place. "We are well on our way to becoming a second-class economic power," Jones said.

Jones noted several statistics about Missouri, which has less tax capacity than the U.S. average and a tax effort slightly below the national average. "The reality is that this is not going to change," he said. "The notion that we are going to solve things by raising taxes is not a popular suggestion, and I don't know of any person running on that platform, unless they are talking about sin taxes." Jones said if Missouri is to increase its state funds for higher education, it will have to be because the state grows its economy, not because it taxes more. "That is why the notion of building an economy that is stronger and broader is very much in the self-interests of the higher education institutions. You must make that case to the legislature as to why that is important," Jones said.

All 50 states have structural deficits, meaning their current tax structures will not support current services over the next 8 years. Missouri is in the mix of states where higher education will have increasing competition from other sectors.

Missouri is in the bottom half of states in the percentage of state appropriations that go to higher education. However, if the state combines tuition dollars available to institutions with state appropriations, the state is in the high end. Missouri has a high proportion of students at four-year institutions that are generally more expensive. It is not expected that the situation will change, as the state does not have large numbers of students coming down the pipeline.

Panel Discussion: Financing Methods for Higher Education

State Senator Ron Teck (R-Colorado)

There is a great deal of interest among higher education institutions across the country about what has happened in Colorado. The state enacted a change in how it funds higher education institutions so that state appropriations flow through the students and then to the institutions. Although many have characterized the change as a move toward the voucher system, Teck argues that in reality it was simply a "bookkeeping trick" to avoid more catastrophic cuts in higher education that the spending limitation would have required.

Colorado voters passed the Taxpayer Bill of Rights, also known as TABOR, in 1992 in response to several years of increasing taxes. It limited the amount of revenue the state could spend, tying the index to inflation and population growth. It did not have a great impact in the 1990s because of a robust economy, but by the late 1990s the state was forced to refund significant amounts of revenue to taxpayers very similar to what had happened in Missouri.

When the recession hit in 2001, things changed and over the next two fiscal years the state saw reductions in revenues of more than $1 billion. Public higher education institutions saw a decrease from a high of $770 million in FY 2002 to $580 million in FY 2005. As a result, institutions increased tuition, although tuition also was limited by a cap. In addition, Colorado voters passed Amendment 23 in 2002, which required that elementary and secondary education receive increased revenues of inflation plus one percent annually for a 10-year period.

Since Colorado counted tuition for higher education as state revenue, increases in tuition on one end of the equation resulted in a need to further reduce higher education appropriations on the other to avoid further triggering the refund mechanism. Higher education saw 21 percent reductions at a time when enrollment was increasing at most institutions.

"So we had a real problem," Teck said. "We couldn't increase tuition because of a refund demand set upon us by TABOR. We had decreasing money going to higher education so schools had to do more with less because of increasing enrollment. We couldn't change TABOR without a vote of the people. So we were trying to figure out a way to get around this problem to salvage our higher education system."

The answer came in the form of SB189, which took advantage of a loophole in the TABOR language that said any entity that received less than 10 percent of its revenues from state or local government was considered an "enterprise" and thus was not subject to the constraints of TABOR. Teck and others argued that if the state provided higher education funds to students, and then the students in turn gave that money to the schools, those funds were not state appropriations and this would remove the institutions from TABOR restrictions.

"So the real genesis of SB189 was a bookkeeping arrangement to try and get us around the constraints of TABOR," Teck said. He also said an added goal was to help students realize and see the value of continuing their college education in the hope that more of them would choose postsecondary education. SB189 passed, and this is the first year that the new funding arrangement has been in effect.

But Colorado's larger budget problems still exist – Teck said they estimate a $2 billion deficit over the next five years. In November, Colorado voters will consider a measure that would relax TABOR requirements for five years and allow the state to keep excess revenues to address the shortfall.

"If we do not get that passed," Teck said, "there is a very great probability that we will be the first state in the nation to entirely defund higher education."

Mirna Gonzalez, Assistant Vice Chancellor for Governmental Relations, University of Texas System

Gonzalez profiled the funding model for higher education used in Texas, which includes a weighted matrix based on credit hours taught and includes incentive funds to reward institutions that address state priorities.

Texas operates on a two-year budget cycle and divides the higher education pie into three sections: instruction and operations (62 percent); infrastructure (13 percent); and special items (25 percent), which reflect priorities related to state needs.

The instructions and operations budget supports faculty salaries, student services, research and administration. The infrastructure budget supports utilities, maintenance and repair, and operations, as well as designated funds for smaller institutions.

The operations funds flow through a formula that is based on weighted semester credit hours taught, and uses a three-semester timeframe. Weights are allocated based on five basic levels: lower undergraduate, upper undergraduate, master's, doctoral and professional. An undergrad liberal arts course, for instance, carries a weight of 1.0. Engineering and law carry weights of 3.0 A doctoral course carries a weight of 18.0.

The matrix was developed on a cost-basis that reflected what the state was spending on the programs at the time the formula was developed. The matrix includes a guarantee that no institution would lose more than 3 percent of its prior year funding reflected in the weights. The amount of money in the formula is based on how much funding the legislature has available.

The model used for infrastructure was based on the predicted square feet needed for the institution to meet its educational and mission-related goals. These are determined by the department of higher education and the process is designed to reward efficient use of space.

The Texas plan also provides incentives to institutions that teach undergraduate courses with faculty instead of teaching assistants.

When Texas faced revenue shortfalls in 2003, the legislature adopted tuition deregulation to give institutions some flexibility from the capped tuition of the past. That led to two years of double-digit increases and renewed calls from the legislature to cap tuition again. "It did not happen, but they came very close," Gonzalez said.

Institutions are insulated from being punished for raising tuition in that revenues from fees cannot be used to reduce general revenue appropriations. There also is a set-aside from the tuition amount of about 20 percent that must be used for financial aid.

In 2003, Texas enacted the "Be On Time" student loan program. Students who take the recommended high school curriculum and then graduate in a timely manner from college with a B average can have their loan forgiven. Because of the popularity of this program, Gonzalez said the legislature is looking at financing it through the issuance of bonds.

Some institutions in Texas are also operating under a flat tuition model, where semesters are based on a flat 14 credit hour price. The incentive, Gonzalez said, is to encourage students to take more than 14 hours in order to graduate on time.

Rep. Carl Bearden (R-St. Charles)
Rep. Bearden profiled HB742, legislation he filed in the 2005 session to establish a more student-centered funding model for higher education in the state. Although the plan borrowed from some of the Colorado model, Bearden emphasized that it has two primary differences: it first establishes a baseline level of funding that no institution would go below, and it also does not have any impact on capital appropriations.

Bearden's first goal is to bring higher education funding levels back to FY 2002 authorized levels, which are slightly over $1 billion. "We never got there," Bearden said, "We set the appropriation but spending never got to that point, and, in fact, went the opposite direction as many of you know."

Once the FY 2002 level is reached, Bearden's plan would start a new formula for funds above and beyond the FY 2002 levels where students would be the focus. The funding students would receive would be portable and could be used at either public or private institutions.

Bearden said one section of the bill that will be changed significantly will be the restructuring of financial aid. "The Coordinating Board is already undertaking a lot of what I had in there, and I also think there has been some misinterpretation or misapplication of the intent of student aid that would occur through the Gallagher model." Bearden said his idea is to provide the same amount of need-based aid to all students through Gallagher. The student would take the scholarship to whatever institution they desired, as long as the amount did not exceed the cost of attendance.

"My intent on financial aid was to try and boil down a lot of the different scholarship programs," he said. "I am concerned that the need-based aid we get is not keeping pace with the merit-based aid, and I think in today's economy we need to take a look at that."

He then described the parameters of the new student-based funding model. He emphasized that the model would not be in effect if operating funds fell below the FY 2002 levels. His concept also includes some incentive funds for performance, but he said he did not specify what those measures would be because he intended for the institutions to develop them.

Noting the old Funding for Results model under the CBHE, he said he wanted to see that revisited. "It's been 10 years since we did those, and I think it's fair that we look at those and reallocate those and make that a more active process so that those become the performance measures that would be subject to some additional funds above and beyond the funding formula and FTE funding."

He said he was open to working with institutions to define the FTE funding model. His original bill provided lowest-common-denominator funding levels for the first two years of college at the community college level, the second two years of college at the lowest-cost

four-year college level, etc. "Those were put there to stimulate discussion," Bearden said. "And so that is very open and not cast in concrete. Hopefully as we get through the interim committee we will be able to focus on that a bit more and make it more definitive."

Bearden's plan would free institutions from some regulations that currently exist, including some of the program review and approval functions of the Department of Higher Education. "There is some good and bad with that," he said. "One public concern is duplication of programs. Some of that is inevitable, but how much is really necessary? So we won't completely eliminate that review process."

The bill also establishes a joint House-Senate committee. "One of the things the legislature suffers from is that we do not have a continuity of understanding of what happens in the higher education community, and so the joint committee was really meant to establish that so we can come together and become the pool of expertise on the subject," Bearden said.

He also said an interim House committee would be established to review higher education proposals in more detail.

Question and Answer Session:
Rep. Beth Low (D-Kansas City) questioned Sen. Teck of Colorado about the flat $2,400 funding that Colorado students receive, asking if it is the same regardless of where the student goes. Teck said it is the same unless it exceeds the cost of attending.

Low questioned whether students that attend private institution receive the same amount. Teck said the amount is cut in half for private schools but those students would receive $1,200 in formula funds. "There is some controversy over using taxpayer dollars for students who attend private institutions," Teck said.

Low questioned whether those funds might potentially have gone to the public institutions and thus lowered the need for tuition increases.

"It is diminishing the amount of money we have available to give to public institutions," Teck said. "The argument is to get kids educated and whatever we can do to help facilitate this we are going to try and do. Yes, we will be taking money away from public institutions, but we want to focus on our greater goal and that is educating our kids."

Low said it appeared to her that the model used in Colorado takes funds away from the public institutions that are the "best shot" for lower- to middle-income kids who need the financial help and can't pay the higher tuition.

"That is the political side of the argument," Teck said. "There was a hard push from the lobby of the three private institutions that they wanted to have some of the action."

Bearden added that "one good part of my proposal is that it does not take money away from the public institutions."

Luncheon Remarks

Charles McClain, founder of Jefferson College, former president of Northeast Missouri State University (later Truman State University), and later Missouri's State Commissioner of Higher Education

Charles McClain provided conferees with a historical perspective and some context on higher education policy issues and decisions going back more than a decade. He also described the advantages of a higher education system that is driven by incentives, competition and autonomy.

As Mephistopheles said in Goethe's *Faust*, "Everything that rises goes rightly to its ruin." And so it has been with public higher education in Missouri. At the urging of the General Assembly, the governor appointed a commission in the early 1990s called the Higher Education Business Partnership to study higher education. The study, which was conducted by Dennis Jones of the National Center for Higher Education Management Systems, eventually led the General Assembly to approve placement of a referendum item on the ballot called Proposition B to raise tax revenue for higher education. Funding for K-12 was added to broaden the measure's appeal, but the proposition still failed at the polls by a 2-1 margin.

The focus then shifted to the courts. Circuit Judge Byron Kinder, Cole County, issued a ruling in 1993 that provided the impetus for the redesign of the school foundation formula and a proposed new tax measure to pay for it. The tax measure, identified as Senate Bill 380, was meant only to fund elementary and secondary education. "Senate Bill 380 included a very clever tax increase," McClain said. "Just limit the exemption of the federal income tax on the state income tax form to $5,000 for a single tax return and $10,000 for a combined return, plus some modest corporate tax increases. Prior to the proposal, all of the federal income tax paid was allowed as a deduction on the state return." The measure was passed by the General Assembly without a vote of the people, despite the fact that earlier promises had been made that no tax increases would be made without a popular vote.

Passage of the new tax without a public vote sparked a firestorm of protest led by the Missouri Farm Bureau, which held a press conference to announce that they would start an initiative petition to limit the amount of new taxes that could be passed by the General Assembly without a vote of the people. Governor Mel Carnahan joined the Farm Bureau in the successful effort to pass the constitutional amendment.

Due to the booming economy of the late 1990s, Senate Bill 380 was more successful in raising revenue than was anticipated by its authors, triggering refunds under the provisions of Hancock I. To minimize the need to issue annual refunds, the legislative leadership passed a series of measures that exempted food from the state sales tax, among other exemptions, thus reducing the amount of revenue coming into state coffers. Then the economic bubble burst, led by the events surrounding the destruction of the World Trade Center, and state tax revenues plummeted. With new tax measures effectively stymied, funding for public education was reduced in successive years to meet the rising cost of the Medicaid program.

In FY 2004, according to one study, elementary and secondary education received 26.1 percent of the state's operating budget. The Missouri Constitution provides for elementary and secondary education to receive 25 percent of the budget; nevertheless, the public school districts are back in court to argue that they are not being adequately funded while higher education continues to lose state financial support as the state shifts funds to other sectors of the state budget.

Having completed his brief historical review of higher education finance during the past 15 years, McClain described some concepts that can enhance creativity and innovation in higher education, including incentives, competition and autonomy.

As a part of the work on Gov. Blunt's Commission on the Reorganization of State Government, the task force on education has had conversations with several other states that have been studying higher education governance and finance. Each of these states has considered using financial incentives to achieve state goals. One state task force studying higher education wrote the following: "The higher education funding formula and other financing of higher education must create incentives for achieving state priorities. The formula should not be focused solely on equity of funding to institutions."

Missouri moved away from an enrollment-only driven formula in the late 1970s. All of the other states the Commission task force visited have and are trying to move toward a weighted funding formula similar in principle to those already in use in Missouri and Texas. An article in the Kansas City Star discussed how Kansas was withholding funds because goals set jointly by the institutions and the state were not met.

The author of the book Higher Learning suggested that there are two familiar ways to keep human organizations attentive to the public good and the public interest. McClain quoted from the book: "One is regulation and the other is competition. Neither is perfect. Government regulation and control have not worked well to improve the quality of education. Not for American public schools and not for universities abroad, which are controlled and regulated by central governments. Competition, by contrast, produces diversity, experimentation and creativity."

"According to the author of Higher Learning, nothing in the experience of our public schools, and nothing we can discover overseas, where universities are controlled by the state, suggests that stronger regulation will improve the practice of teaching and learning in our colleges and universities," McClain said.

McClain said that Missouri has been and continues to be an innovator in many ways, and this has happened through the wisdom of the General Assembly and governors who kept higher education off the numbers game and the equity discussions, which tend to produce mediocrity. He said a decentralized system of higher education with a funding formula that contains incentives and is not purely enrollment driven offers distinct advantages over other approaches, such as regulation.

The concepts of competition and autonomy give us organizations that are innovative and creative. "Missouri would be a pioneer if it would add an incentive component to the

funding of elementary and secondary education" McClain said. "Otherwise we shall continue to go down the bottomless trail of adequacy and equity, and higher education will continue to lose ground."

The future of higher education in Missouri will depend on the wisdom, the statesmanship, and the vision of the political leaders in attendance at the Symposium. "Remember, everything that rises, goes rightly to its ruin," McClain said. "I don't think I want to buy that. The power to make corrections was given to us, if we but use that ability with a long view and not the short view, and rise above parochial interests, and think of the common good. Ruin is not inevitable. Prove Faust wrong and yourself right."

Recent Developments in Higher Education

Dennis Jones, President, National Center for Higher Education Management Systems

Dennis Jones reviewed important trends in higher education to help put Missouri's experiences in perspective.

Jones noted that we are seeing a significant shift in public policy conversations about higher education, from an emphasis on the institutions themselves to an emphasis on the public agenda for higher education and the needs of the state and its people. Fifteen years ago, governors and legislators would have said that higher education in their respective states was a good thing but not an imperative. Now they seem to understand that higher education is critical to the future of their respective states in terms of the economy and social needs. Today, 80 percent of jobs require some college preparation, and so it is no longer a question of the value of the investment.

A few states have put all the pieces together to effect significant reform in their higher education infrastructure. Kentucky and North Dakota are noteworthy.

Kentucky's governor conducted an assessment of the resources his state had and concluded that Kentucky was like a third-world country in terms of its people's wealth, health and educational attainment. He made it the state's objective to move their per capita closer to the national average. The most decisive step in achieving this goal was to focus on adult literacy. Fully 40 percent of Kentucky's adult population was functionally illiterate and one half had not completed high school. Kentucky invested enough state funds into the literacy program to make it a state program with some federal support, rather than having it the other way around. The reform was led by a legislative committee chaired by the governor. The centerpiece of the legislative proposal was to form a new community college system from institutions previously under the direction of the University of Kentucky and the state.

North Dakota had a different problem. It was relatively successful in getting its students through high school and on to college, but it was losing its graduates to other states with more and better quality jobs. The leaders in North Dakota decided they had to grow the economy and attract more people to the state. They did it in part by changing the funding

mechanism for higher education to emphasize autonomy and accountability. The state generally ensures that 21 percent of the state budget will go to higher education. Accountability was underscored by identifying in statute the measures to be used to assess progress in meeting state needs. Out-of-state tuition was eliminated to attract more students to North Dakota institutions, and the state anticipated that 40 percent of those students would remain in the state after graduation. Business leaders were involved in the debate from the very beginning and were instrumental in the passage of the legislation.

In the states that have had success in changing the higher education situation, the key has been to remain focused. They are identifying their goals, staying the course even during changes in administrations, and keeping their focus on the state's agenda.

Another trend is the changing role of coordinating boards. Coordinating boards originally arose from concerns about how to control academic program duplication and growth of institutions. The era of institution building is over, and so is the emphasis on overseeing institutions. Now the role of coordinating bodies is to build and manage the public's agenda for higher education and to identify and dedicate funding to implement those agendas. The coordinating bodies also help to develop the accountability measures and take the lead in devising ways to balance student aid and tuition rates.

Jones said that there also is a shift in emphasis from fiscal accountability to performance-based accountability. Many legislators will tell us that higher education institutions are not accountable to the people of their states for the funds their institutions receive or for progress in achieving state goals. The institutions will say that there has not been a conversation to define just what the public agenda is supposed to be. Jones pointed to the North Dakota experience, where accountability measures were put in the statute to make the explicit the expectations of the legislature and preclude others from defining the terms to meet their own agendas.

Another trend has been the shift in the financial burden from the states to the students. "The shift in most states has been from a high appropriation/ low tuition/ low student financial aid model to a lower appropriation, higher tuition/mixed student aid model," Jones said. "States have backed into that a little bit at a time without intentionally doing so. It is what has happened to make it work on a year to year basis."

Jones said some states are experimenting with new forms of relationships between state government and higher education. He noted the increasing reliance on market mechanisms as a substitute for public policy rather than as a mechanism for public policy. Mentioning the concept of education vouchers that go with the student, Jones said that it could be argued that states need not get involved in market mechanisms to shape the workforce. Individual student choice will in fact solve many, but not all, of the problems without intervention. Market devices can be used to entice students to enter certain career fields, such as recruiting nursing students for rural Missouri.

Jones cited several experiments by states that have met with some success. The California State University system has introduced the college placement exam into the junior year of high school. Juniors can take the exam and, if they pass, do not have to take it again. If they do not pass it, they gain a better appreciation of what it takes to do college work, and they

still have a year to fill the gaps in their pre-college preparation. In Missouri, 80 percent of the freshmen students come from a relatively small number of high schools that are grouped regionally. Missouri higher education could place its faculty in selected high schools to assist in raising college-bound student achievement levels so they won't have to do remedial work once they get to college.

Higher Education in Missouri: Perspectives from the General Assembly

Moderator: Rep. Gayle Kingery (R-Poplar Bluff), Chair of the House Higher Education Committee

Rep. Kathlyn Fares (R-Webster Groves)
Rep. Fares, who chairs the House Appropriations-Education Committee, emphasized the importance of performance and accountability in her remarks to the symposium audience.

Fares said there is a need to align preparatory education with the needs of higher education so that there is less of a need for remedial course work at the higher education level. "All levels of education need to be talking," she said.

Whether students are college-bound or not, Fares said they need to be urged to focus on courses in high school that prepare them for work or school after graduation. She also said higher education must be prepared to address the issue of nontraditional students who change careers and need additional training.

"Because jobs and professions are less likely to be forever, we must offer transferable skills and lifelong training capabilities," she said. "Professional development courses must be geared to helping teachers to address these needs and to help second career entries into the teaching field to grasp the complexities of their new careers."

Fares also focused on the importance of smooth transfer and articulation agreements among higher education institutions. "Having courses that transfer based on the content prescribed and not the ego of academia is essential to a student completing coursework," she said.

She noted that statistics show that students who start at community colleges and then transfer to four-year institutions do as well, or in some cases better, than those who start at the four-year institution.

Sen. Maida Coleman (D-St. Louis)
Sen. Coleman, who serves as minority leader in the Senate, focused her comments on the area of need-based financial aid and the importance of enhancing diversity in higher education.

She said that Missouri ranks 46th in per-capita support for higher education, at $147.01 per person. The national average is $210, and Illinois is at $213. She also gave the state's ranking in comparison of state support for financial aid as a percentage of Pell Grant aid

provided to students in the state. Missouri provides 12.3 percent as much aid as Pell grant recipients receive. She said the national average for state support compared to Pell grant support is 40.1 percent. She noted that the state had seen a decrease in state funds supporting financial aid over the past five years.

Coleman stressed that these changes have the greatest negative impact on minority populations in the state. She said only 6 percent of students from lower socioeconomic categories earn bachelor's degrees in Missouri, compared to 40 percent of students from higher socioeconomic categories. "So when you look at where we stand as a nation and we see where the low income and minority students are, there is a big disparity," Coleman said. "That is most distressing to me."

She said that 29 percent of low income students must work more than 35 hours per week. "How can these kids get an education if because of their financial situation they need to work 35 hours a week? That's more than most part-time jobs," she said.

Coleman noted that at the University of Missouri-Columbia, tuition and fees have increased 88 percent over the past ten years. Although a quarter of that increase can be attributed to inflation, the remainder is a result of reduced state funds to higher education.

"Certainly in Missouri we are dealing with a lot of these problems because of our budget situation," she said. "The General Assembly is not funding higher education like we used to."

Noting the value of community college education, she emphasized again that steps need to be taken to make higher education affordable and accessible.

"We are putting too many children at risk of not getting an education, especially when you look at increases in fees like we've seen at the University," she said. "If I had to go to school now I could probably not afford it. So from the General Assembly's perspective we understand the issues here and we will certainly continue to look for ways that we can ease the burden and soften the load."

Rep. Maynard Wallace (R-Thornfield)

Rep. Wallace has been traveling the rural areas of Missouri talking about the past session and priorities for next year and shared some of his remarks with the audience. He also emphasized that this is the right time for lawmakers to focus on higher education.

He noted the past session's accomplishments included a new funding formula for K-12, limiting the growth of Medicaid, and improving the worker's compensation and tort reform laws.

"We think these things will make our state more business-friendly," he said. "If you think about what we are going to do next, at the top of my list when I'm down in rural southern Missouri talking is that we have to do something with higher education. If we truly did things to make this a more business-friendly place, then we'd better be ready to have people prepared if we are going to create an environment where we have more jobs and people bringing business to the state."

He said one key issue is funding. "Somewhere along the way I think it's time we addressed that the state has to start picking it up again," he said. "And I don't mean just making higher education take what is left over, but making it a priority along the way to make higher education better."

Recent discussions on new funding formulas or methods are appropriate at this time, but he was reluctant to endorse a per-student funding methodology yet. He also said higher education must take notice of very successful, fast growing institutions and why they are doing so well. He noted Ozark Technical College as an example. "Why are they so successful? Because those young people are going through there and getting a good education and then getting high-paying jobs when they get out," he said. "We have to look at each other and see what we are doing right."

"We're trying to make Missouri be a better place to live, work and stay," he said. "We think we did some things in the last session that move us in that direction. I'm one of those people who says that the next step in ensuring that happens is that we pay a lot more attention to higher education in the next session."

Questions and Conclusion:

Steve Lehmkuhle, interim chancellor for the University of Missouri-Kansas City, noted the interest from the panel in transfer and articulation improvements and indicated there had been much improvement in that area. He then mentioned a concept of a "community college completer scholarship" that could provide some financial support for students who finish an associate's degree and transfer to a four-year school. Rep. Fares was supportive of the concept and looked forward to further discussions.

Rep. Gayle Kingery (R-Poplar Bluff), chair of the House Higher Education Committee, served as moderator and concluded the session.

"We know that it's time to get started to address the situation of funding," Kingery said. "Higher education has, for wont of a better term, slipped through the cracks over the last three years and we want to prevent that from happening again and try to get us back to a level where we are funded commensurately and adequately throughout our state. Education is the key to economic development and success, and that is our goal. We are going to have to work together just like we have today to reach that level where we come together and we can solve or manage most of these financial problems."

Document 3:
CBHE Response to Interim Committee Questions provided by Dr. Greg Fitch
Letter dated October 25, 2005

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October 25, 2005

The Honorable Carl Bearden
Chair, Interim Committee on Student-Based Higher Education Funding Reform Models
Room 301, State Capitol
Jefferson City, MO 65101

Dear Representative Bearden:

During the Department of Higher Education's presentation before the House Interim Committee on Student-Based Higher Education Funding Reform Models on October 10, 2005, the following was requested by the committee:

- Missouri community college equity funding formula – Attachment 1
- Historical appropriations at Missouri's public community colleges and universities – Attachment 2
- Percent of public funds going to public and private institutions for all of Missouri's grant and scholarship programs – Attachment 3
- Percent of degrees conferred at public and private institutions in Missouri – Attachment 4

Please find this information enclosed.

In addition there was an inquiry about the accuracy of Missouri's public institutions' historical FTE enrollment numbers. The department has been reviewing these numbers for several weeks and has found inconsistencies in reporting these numbers over the years. The department is committed to updating FTE numbers for the State Higher Education Executive Officers Finance Report. There was also a request for the current partnerships among Missouri's institutions. That list was provided to your committee at the October 20 hearing.

If you have any additional questions or need additional information, please let me know.

Sincerely,

Gregory G. Fitch
Commissioner of Higher Education

GGF:DI:pk

Enclosures

c: Marianne Mills, Budget Analyst, Office of Administration
Mark Schwartz, Budget Analyst III, House Appropriations
House Interim Committee on Student-Based Higher Education Funding Reform Models

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MCCA Presidents and Chancellors Council
Funding Formula Recommendation

Charge: A committee from the Council was asked to review the current funding formula for equity, especially in terms of the growth factor, to develop alternatives and to present findings and options to the Presidents/Chancellors Council.

Recommendation: The following two-phase adjustment formula was adopted by the Council on January 8, 2003, for presentation to the Department of Higher Education. It was presented to the Department of Higher Education on June 4, 2003, and was recommended at that time for adoption by CBHE for the FY 05 budget.

Two Step Equity Adjustment Formula Recommendation

1. **Until the community college core appropriation again reaches the $150 million appropriation level of base year FY 02, the following distribution model will be in effect:**

- In years in which the core appropriation increases less than 2% over the previous year's core appropriation, no equity adjustment will be requested.

- In years in which the core appropriation increases by 2% or more over the previous year's appropriation, an adjustment of **.5% of the total new core** amount will be distributed on a proportionate basis to those colleges falling below 15% of the mean.

2. **When the core appropriation rises to or exceeds the $150 million base.**

- In years in which the core appropriation increases less than 2% over the previous year's core appropriation, no equity adjustment will be requested.

- In years in which the core appropriation increases by 2% or more over the previous year's appropriation, **1% of the total new core** will be distributed on a proportionate basis to those colleges falling below 15% of the mean.

Rationale and Assumptions: In order to address issues of equity in the distribution of state funds and at the same time to protect all member colleges' financial viability, the committee worked from the following assumptions.

Assumption 1: Equity rather than equality should be the goal of any funding distribution model. Reaching equality would mean balancing so many variables that it becomes a practical impossibility. Equity is a simple, mathematically elegant solution that seeks only a defensible degree of distribution.

Assumption 2: While any number of colleges may fall at or above 15% of the mean, some process of equity adjustment should be developed that addresses the needs of those colleges falling below 15% of the mean. The 15% mean point is a historic artifact from previous allocation models.

Assumption 3: Any process for addressing equity adjustment should not re-open the 1991 allocation model legislation.

Assumption 4: The total dollars involved in any equity adjustment for colleges falling below 15% of the mean should be distributed among or between these colleges in proportion to the amount they fall below the mean.

Assumption 5: Equity adjustment efforts and recommendation should in no way substitute for or delay efforts for core restoration.

Attachment 2

FY1987 - FY2006 Public Institution's Appropriations

Institution	FY 1987	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Community Colleges	51,844,895	58,161,755	62,462,738	67,176,410	70,802,877	70,247,932	70,662,102	74,214,849	83,670,306	95,701,934	100,059,830	110,230,106	136,064,407	144,148,398	151,849,466	$152,111,759	$136,900,582	$130,021,553	$133,338,066	$133,338,066
Linn State											1,602,429	3,745,400	4,363,093	4,825,355	5,510,528	$5,210,528	$4,689,475	$4,433,887	$4,540,164	$4,540,164
Central	26,161,616	30,702,420	33,792,729	37,827,908	40,391,642	38,957,114	38,957,114	40,088,001	42,108,707	44,724,223	47,083,277	50,903,835	55,819,364	58,782,471	61,700,221	$61,775,221	$55,597,699	$52,567,478	$53,827,478	$53,827,478
Southeast	25,195,611	27,796,942	29,254,457	31,203,067	32,567,472	31,410,823	31,410,823	32,499,911	34,709,284	36,892,486	38,906,301	41,906,402	45,547,028	48,022,770	50,453,036	$50,303,899	$45,273,509	$42,805,983	$43,832,008	$43,832,008
Southwest	37,769,589	42,354,796	44,947,542	51,000,254	53,867,228	51,954,109	51,954,109	53,657,702	56,859,582	61,669,592	68,559,612	73,436,770	80,816,676	85,293,894	87,321,416	$89,216,251	$80,294,626	$77,757,193	$80,295,971	$80,295,971
Lincoln	8,337,681	9,151,216	9,626,216	10,176,009	10,815,440	10,431,325	10,431,325	10,835,796	11,892,601	12,560,454	13,348,318	14,452,975	15,929,166	17,101,111	18,478,437	$19,620,117	$17,298,105	$16,360,445	$16,752,592	$16,752,592
Truman	20,625,951	23,310,513	25,307,618	26,821,169	28,466,374	27,455,378	27,455,378	28,564,084	30,705,352	32,671,281	34,801,600	36,433,195	40,280,911	42,763,573	45,347,660	$46,787,660	$42,108,894	$39,813,848	$40,768,154	$40,768,154
Northwest	14,934,077	16,129,647	16,990,794	18,592,334	19,397,214	18,708,313	18,708,313	19,323,217	20,400,113	21,671,794	22,907,254	25,310,850	27,914,900	29,576,425	32,212,737	$32,212,737	$28,991,464	$29,167,319	$29,866,436	$29,866,436
MO Southern	9,863,946	11,064,776	11,726,294	12,737,558	13,286,232	12,814,365	12,814,365	13,281,201	14,207,068	15,322,673	17,076,425	18,318,420	19,956,471	20,911,772	21,396,501	$21,346,501	$19,211,851	$20,373,791	$21,112,134	$21,112,134
MO Western	10,111,114	11,070,586	11,890,230	12,679,145	13,227,560	12,757,778	12,757,778	13,184,745	14,237,921	15,402,990	17,060,024	18,360,894	20,332,943	21,455,587	21,906,789	$21,906,789	$19,716,110	$20,084,703	$20,766,117	$20,766,117
Harris-Stowe	4,213,265	4,286,531	4,578,616	4,875,610	5,135,014	4,952,641	4,952,641	5,116,897	6,272,974	6,861,886	7,228,721	7,887,135	8,858,574	9,708,799	10,598,759	$11,259,249	$10,133,324	$9,581,032	$9,810,682	$9,810,682
University of MO	233,203,795	250,205,973	264,814,169	287,811,500	301,296,127	289,351,625	289,351,625	298,638,010	320,487,421	336,998,678	354,837,701	368,607,929	395,334,734	418,709,256	442,027,643	$460,452,643	$411,147,559	$388,738,932	$400,819,361	$400,819,361
UMKC School of Dentistry																				$1,000,000
Sub Total	390,416,645	426,075,400	452,728,665	493,724,554	518,450,303	498,793,471	498,793,471	515,189,564	551,861,003	584,776,037	621,809,233	655,618,405	710,790,767	752,325,656	791,443,399	$814,881,267	$729,773,141	$697,250,724	$717,850,933	$718,850,933
Total all Institutions	442,261,540	484,237,155	515,191,403	560,900,964	589,253,180	569,041,403	569,455,573	589,404,413	635,561,309	680,477,971	723,471,492	769,593,911	851,218,267	901,299,411	946,803,393	972,203,554	871,363,196	831,706,164	855,729,163	856,729,163

MISSOURI STUDENT FINANCIAL ASSISTANCE PROGRAMS

(See List of Programs and Individual Program Amounts Below)

2003-2004

Distribution of Students and Dollars by Sector

October 25, 2005

Sector	Students	Dollars	Student Percentages	Dollar Percentages
Total Public Colleges/Universities	12,406	$ 22,205,320.00	49%	54%
Total Independent Colleges/Universities	12,340	$ 17,943,959.00	48%	43%
Total Other (Professional/Technical)	744	$ 1,056,553.00	3%	3%
Total	**25,490**	**$ 41,205,832.00**		

$15,696,723	Bright Flight Scholarship Program
$16,727,028	Charles Gallagher Student Financial Assistance Program
$508,780	Marguerite Ross Barnett Memorial Scholarship Program
$282,040	Advantage Missouri Program
$7,901,339	Missouri College Guarantee Program
$34,484	Missouri College Guarantee Plus/GEAR UP Scholarship Program
$33,832	Public Service Officer Survivor Grant Program
$21,607	Vietnam Veteran Survivor Grant Program

MISSOURI STUDENT FINANCIAL ASSISTANCE PROGRAMS

(See List of Programs and Individual Program Amounts Below)

2004-2005

Distribution of Students and Dollars by Sector

October 25, 2005

Sector	Students	Dollars	Student Percentages	Dollar Percentages
Total Public Colleges/Universities	11,292	$ 20,722,543.00	45%	51%
Totoal Independent Colleges/Universities	13,061	$ 18,699,939.00	52%	47%
Other (Professional/Technical)	681	$ 944,305.00	3%	2%
Total	**25,034**	**$ 40,366,787.00**		

$15,908,631	Bright Flight Scholarship Program
$16,204,755	Charles Gallagher Student Financial Assistance Program
$442,465	Marguerite Ross Barnett Memorial Scholarship Program
$32,416	Advantage Missouri Program
$7,672,907	Missouri College Guarantee Program
$32,901	Missouri College Guarantee Plus/GEAR UP Scholarship Program
$36,761	Public Service Officer Survivor Grant Program
$35,950	Vietnam Veteran Survivor Grant Program

Degrees Conferred by Level at Missouri Institutions

FY 2003

	Certificates	Associate	Bachelor	Master	Doctorate	First Prof.	Other	Total
Public	98%	88%	55%	32%	54%	51%	85%	56%
Independent	2%	12%	45%	68%	46%	49%	15%	44%

FY 2004

	Certificates	Associate	Bachelor	Master	Doctorate	First Prof.	Other	Total
Public	96%	89%	55%	33%	50%	52%	79%	56%
Independent	4%	11%	45%	67%	50%	48%	21%	44%

Document 4:
Higher Education Reform in Colorado, Vouchers are Only Half the Story
Publication date of Summer, 2005

STATE OF COLORADO

Department of Higher Education
COLORADO COMMISSION ON HIGHER EDUCATION

Bill Owens
Governor

Richard F. O'Donnell
Executive Director

HIGHER EDUCATION REFORM IN COLORADO

VOUCHERS ARE ONLY HALF THE STORY

THE BEGINNING OF THE 2005-06 ACADEMIC YEAR BRINGS SWEEPING CHANGES TO COLORADO'S HIGHER EDUCATION SYSTEM.

For the first time anywhere in the nation, Colorado's college students will bring with them a state taxpayer-funded higher education voucher (known as a tuition stipend in Colorado). The stipend replaces traditional direct legislative appropriations to the state's colleges and universities. But stipends, as important as they are, comprise only one part of comprehensive pre-collegiate and higher education reforms in Colorado.

Led by Colorado Governor Bill Owens and Rick O'Donnell, Executive Director of the Colorado Commission on Higher Education (CCHE), Colorado is establishing a new social contract by demystifying college, improving access with a particular emphasis on higher education/K-12 linkages, strengthening accountability, and improving information to citizens and policy makers.

A New Funding Method:

STIPENDS & FEE-FOR-SERVICE CONTRACTS

Starting this fall, all in-state undergraduate students attending public or participating private colleges or universities – be it a local community college or the flagship campus of the University of Colorado – will receive a tuition stipend (voucher) from the College Opportunity Fund. The tuition stipend will be $2,400 for a full-time student at state institutions and half that amount for a full-time student at a private institution. Part-time students receive a pro-rata stipend. The stipend replaces direct appropriations from the state's General Fund to individual state colleges and universities. The amount of the stipend is set annually as part of the legislative budget process.

The stipend is not financial aid. All resident students going to a public college or university qualify for exactly the same amount, regardless of family income. Low-income students (those who qualify for a Federal Pell grant) may also use 50 percent of the stipend's value to attend a qualifying private college or university. Need-based and merit aid continue to be separately funded programs in Colorado in addition to the stipend amount.

By replacing the outdated practice of direct appropriation from the legislature to the college, Colorado has introduced market forces into taxpayer subsidies for higher education. The new system encourages institutions to focus on enrolling, retaining and graduating their students by providing a quality, relevant education. Under the direct funding model, few such incentives existed.

The tuition program in Colorado is for undergraduate students. Stipends do not apply to graduate programs due to the cost disparity among graduate programs.

To bring transparency and competition to graduate education funding, Colorado adopted new fee-for-service contracts. Starting this year, the legislature now appropriates funding, not directly to the institutions, but to the Colorado Commission on Higher Education. The Commission then negotiates with each school what graduate programs it will provide and at what cost.

The Commission has the ability to ask tough questions, such as why does one college produce master's level educated nurses for $5,000 each while another college requires $9,500 each for the same level of nursing education? For example, the Commission could choose to purchase more graduate education in nursing from one school over another – based not only on price, but also on quality – by asking questions such as what percentage of nurses graduating from each school passes the state nursing board licensure exam?

Why Stipends?

For Colorado, there were two compelling reasons for adopting a tuition stipend program. The first is our need to dramatically expand college access for underserved students – minority, low-income and, in many cases, male students. The two biggest barriers to college for underserved students are lack of adequate K-12 academic preparation and lack of financing for college expenses.

When it comes to a lack of financing, however, all too often the barrier is more perceived than real. Low-income parents and students see headlines about double-digit tuition increases and the high cost of going to college. They often assume, erroneously, that they cannot afford college, and so they don't even pursue it.

Research among underserved students and parents revealed that they are completely unaware that state taxpayers subsidize the cost of a college education. But, when we explained that they could have a $2,400 per year stipend, and that the money is set aside for students to use it or lose it, perceptions changed.

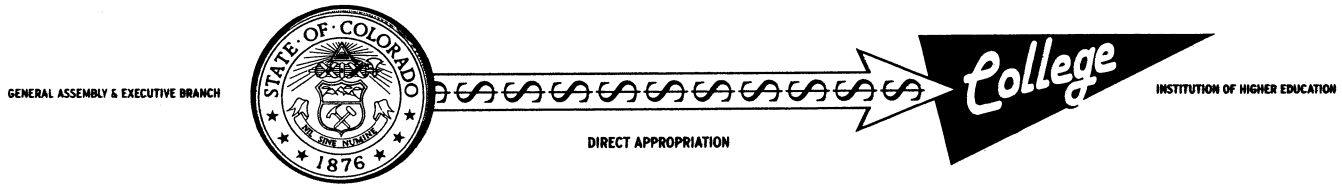
Simply put, stipends give underserved parents and students a vested interest in their own tax dollars when it comes to paying for college.

With the tuition stipend program, taxpayer subsidies of public higher education become more meaningful. Students and parents now understand more easily what $2,400 means to them. And, they begin asking questions about how much the tuition stipend covers of a college education. This encourages a public dialogue about how tuition stipends, combined with financial aid, make college affordable for all students, even traditionally underserved student populations.

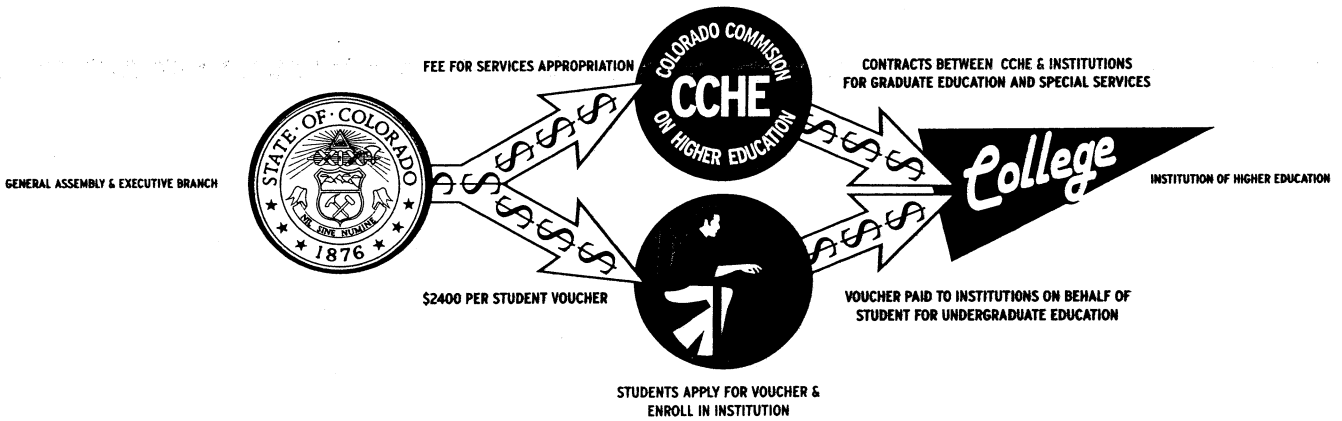
Second, tuition stipends in Colorado create a new type of competition for in-state Colorado students that did not exist in the past. Under the old, direct-appropriation funding model, institutions were subsidized by the state based partly on their enrollment, but also on what powerful legislators or special interests were able to squeeze out of the budget for their favorite campus. Under the new system, tuition stipends directly and explicitly fund all undergraduate education. If a school can attract in-state students, they receive funding. If a school cannot compete, they lose taxpayer subsidies.

This shifts the whole financial focus of our colleges and universities. In the past, too much time and attention was spent on lobbying the legislature for funding. In the future, as much, if not more, time will be spent ensuring the college can attract students. This focus on students will increase quality and bring more relevance to the academic and extracurricular offerings of our universities.

PRE-VOUCHER FUNDING STREAM



VOUCHER FUNDING STREAM



For more detailed information, please visit: www.state.co.us/cche/reforms/index.html.

Performance Contracts:
INCREASED ACCOUNTABILITY COMBINED WITH DEREGULATION

In conjunction with the tuition stipend program, Colorado has created an alternative to traditional state regulation of higher education institutions. Colleges and universities now have the choice: remain under the old, high-regulatory program or sign a performance contract that explicitly spells out how the institution will meet state goals in exchange for the state waiving much regulatory oversight. Not surprisingly, every public institution in the state opted for the new performance contract.

Performance contracts are negotiated between each institution's governing board and the Colorado Commission on Higher Education. The first round of negotiations, conducted in 2004-05, resulted in four-year performance contracts. Requirements of the performance contracts include:

ACCESS

- Require actual percentage goals in each contract for increased graduation and retention of students.
- Require the institutions to report to the state how they are addressing the issue of recruitment, retention and graduation of underserved students, especially low-income, minorities and males.
- Require institutions to make most, if not all, general-education core courses guaranteed for transfer to any other two- or four-year public college or university in the state.

QUALITY

- Require that an institution's core curriculum be reviewed by a group of academic professionals to determine course rigor and transferability.
- Require that core curriculum courses which do not meet state standards of rigor and transferability be denoted as such in the institution's course catalog.
- Create a plan for implementing and utilizing a variable pay method for faculty.

EFFICIENCY

- Limit base tuition increases to levels necessary only to cover inflation and increases in mandatory costs (energy, insurance, salaries).
- Allow tuition increases above mandatory costs only when specifically justified, itemized, and tied to access, quality or capital improvement efforts.

REDUCTIONS IN REGULATIONS & INCREASED FLEXIBILITY

In return for the adoption of specified reforms, institutions of higher education are granted greater flexibility and freedom from state oversight. Through performance contracts, the Colorado Commission on Higher Education waives specific statutes and regulatory policies. In particular, the state agreed to waive its regulatory role in the approval of academic programs, many of the requirements of the quality indicator system, and much of the capital construction approval process.

REFORM OF THE CORE

One immediate outcome of the new performance contracts is that every general education core curriculum course offered at any two- or four-year public college and university in Colorado is now subject to statewide faculty peer review. The review evaluates a course according to statewide content and competency standards (standards developed by college faculty). Courses that do not pass peer review are rejected for guaranteed transfer and students must be warned in the course catalogue that it is a sub-standard course.

The initial round of peer review determined that nearly one-third of all general education core courses submitted for review did not meet state standards. College governing boards were notified of the reasons a course was rejected – for example, insufficient writing, weak content or skill competency requirements – and asked to work with faculty to improve these required core courses.

For more detailed information, please visit: www.state.co.us/cche/reforms/index.html.

Plugging Leaks in the K-16 Pipeline

The Colorado Commission on Higher Education is spearheading a multi-year, statewide initiative, known as the "College In Colorado" campaign, to dramatically increase the number of Colorado students who are prepared for, enroll in, and graduate from college. College In Colorado engages all the key stakeholders in a child's education: K-12, parents, higher education, philanthropy, businesses and workforce development. The objectives are clear: to eliminate college access barriers, particularly for underserved students (low-income, minority and males); to ensure Colorado students are academically prepared for, go to and graduate from college; and, to create a better-skilled workforce. Among the major components of College in Colorado:

POLICY INITIATIVES

UNIVERSAL ACT COLLEGE ENTRANCE EXAMINATION

As part of its K-12 state assessment system, all Colorado high school 11th graders are required to take, at state expense, the ACT college entrance exam. Test results are combined with scores from other state assessments to evaluate schools under the state's school accountability law.

LAST CHANCE TO REDUCE REMEDIATION BEFORE COLLEGE

The Colorado Commission on Higher Education uses the results from the universal ACT exam to notify incoming high school seniors and their parents if the student is likely to need remediation upon entering college. School boards are required to provide a plan for students who desire to become proficient in basic skills during their senior year of high school. Students can thus avoid paying tuition for non-credit remedial courses in college, reducing the likelihood that they will drop out of college.

ACCOUNTABILITY FOR COLLEGE PREP PROGRAMS

Colorado is one of the first states in the nation to require by law outcome reporting by federal, state and privately funded pre-collegiate programs operating in Colorado high schools. College prep programs (such as GEAR UP, TRIO and College Summit) must report detailed data to the to the Colorado Commission on Higher Education about participation rates, program costs and student success.

INCREASE ACADEMIC RIGOR IN HIGH SCHOOLS

The Colorado Commission on Higher Education adopted statewide admission requirements for students entering any four-year public college or university, resulting in high schools revamping their curriculum. The requirements include: four years of English; three years of mathematics (Algebra I level and higher); three years of natural/physical sciences (each must be lab-based); three years of social science; and two years of academic electives (including, but not limited to, art, music and drama).

FINANCIAL AID INCENTIVES FOR LOW-INCOME STUDENTS TO PREPARE ACADEMICALLY

The College in Colorado Scholarship simultaneously tackles two of the biggest barriers to college: lack of money and lack of academic preparation. Through the College in Colorado scholarship, low-income students can earn a scholarship to college that covers unmet need. Students earn the scholarship by completing a pre-collegiate curriculum, maintaining a minimum grade point average, and staying out of trouble in high school.

PUBLIC AWARENESS & GRASSROOTS OUTREACH

BRING UNDERSERVED STUDENTS AND PARENTS INTO THE COLLEGE INFORMATION LOOP

Through a multi-million dollar public service announcement and grassroots outreach campaign, College In Colorado is reshaping cultural expectations and individual behavior to increase the number of underserved students preparing for, enrolling in, and graduating from college. Components of the campaign include targeted PSAs (produced in English and Spanish) for television, movie theaters, radio and the Internet. Grassroots activities include training teachers and counselors on best practices regarding college preparation and assisting students with the college application and financial aid process. A statewide network of ambassadors is also responsible for direct community outreach. Visit www.CollegeInColorado.org for more information.

For more detailed information, please visit: www.state.co.us/cche/reforms/index.html.

Document 5:
The National Agenda for Higher Education provided by Dr. Paul Lingenfelter
Publication date of October 20, 2005

The National Agenda for Higher Education, Accountability, Money – Missouri in the National Context

Missouri Interim Committee on Higher Education Funding

Paul E. Lingenfelter, SHEEO

October 20, 2005

SHEEO

I was hoping for an upbeat message here!

SHEEO

The National Agenda for Higher Education

In the global economy the question is:

Can Americans Compete?

Geoffrey Colvin, Fortune Magazine, July 20, 2005

FORTUNE

SHEEO

The National Agenda for Higher Education

Countries approaching, equaling, or surpassing U.S. educational attainment:

- Australia
- Canada
- Czech Republic
- Finland
- Ireland
- Japan
- Korea
- New Zealand
- Norway
- Slovak Republic
- Sweden
- Switzerland
- United Kingdom

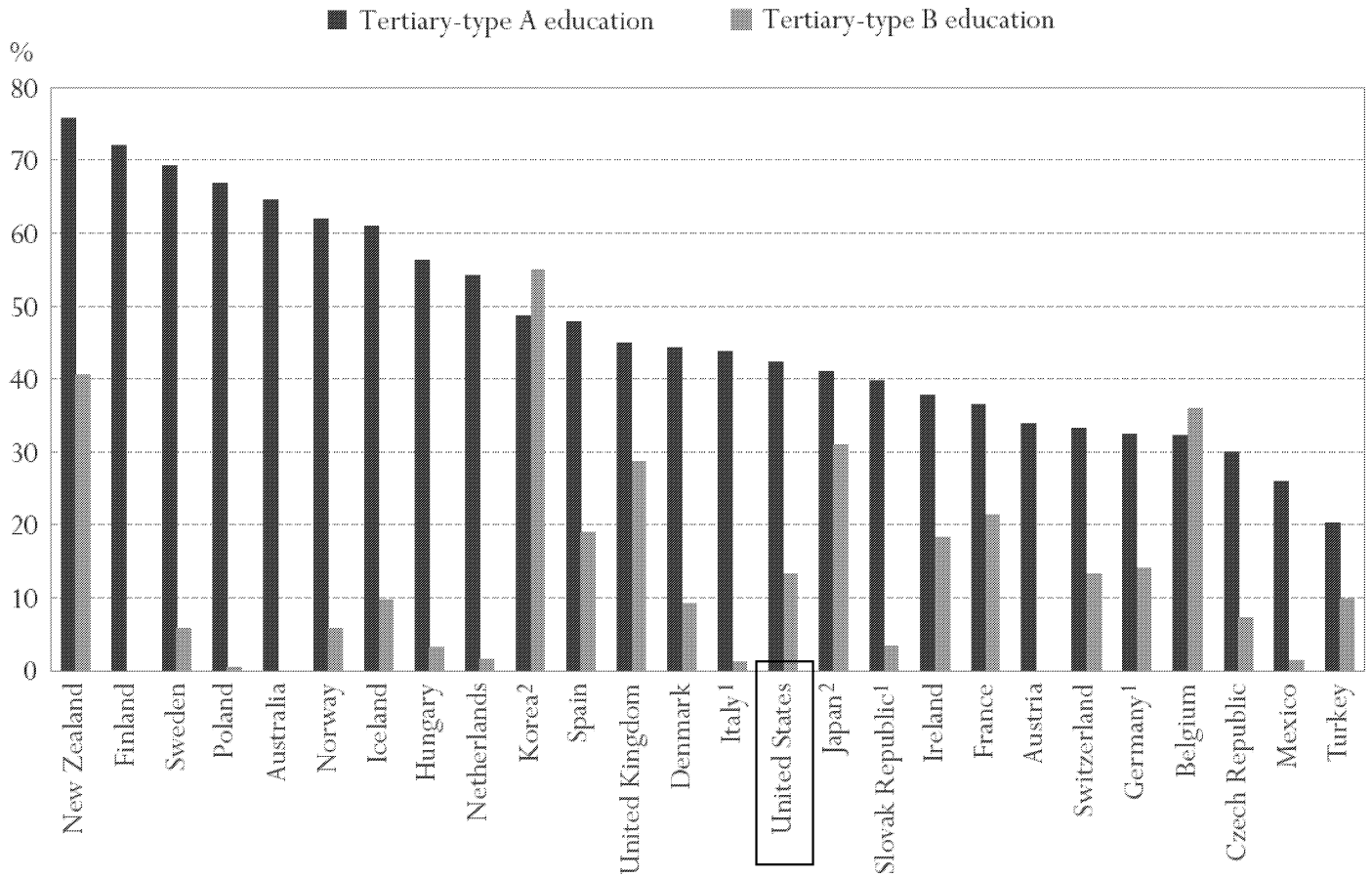
Source: OECD Educational Statistics

The U.S. is no longer the world leader in educational participation

Chart C2.1

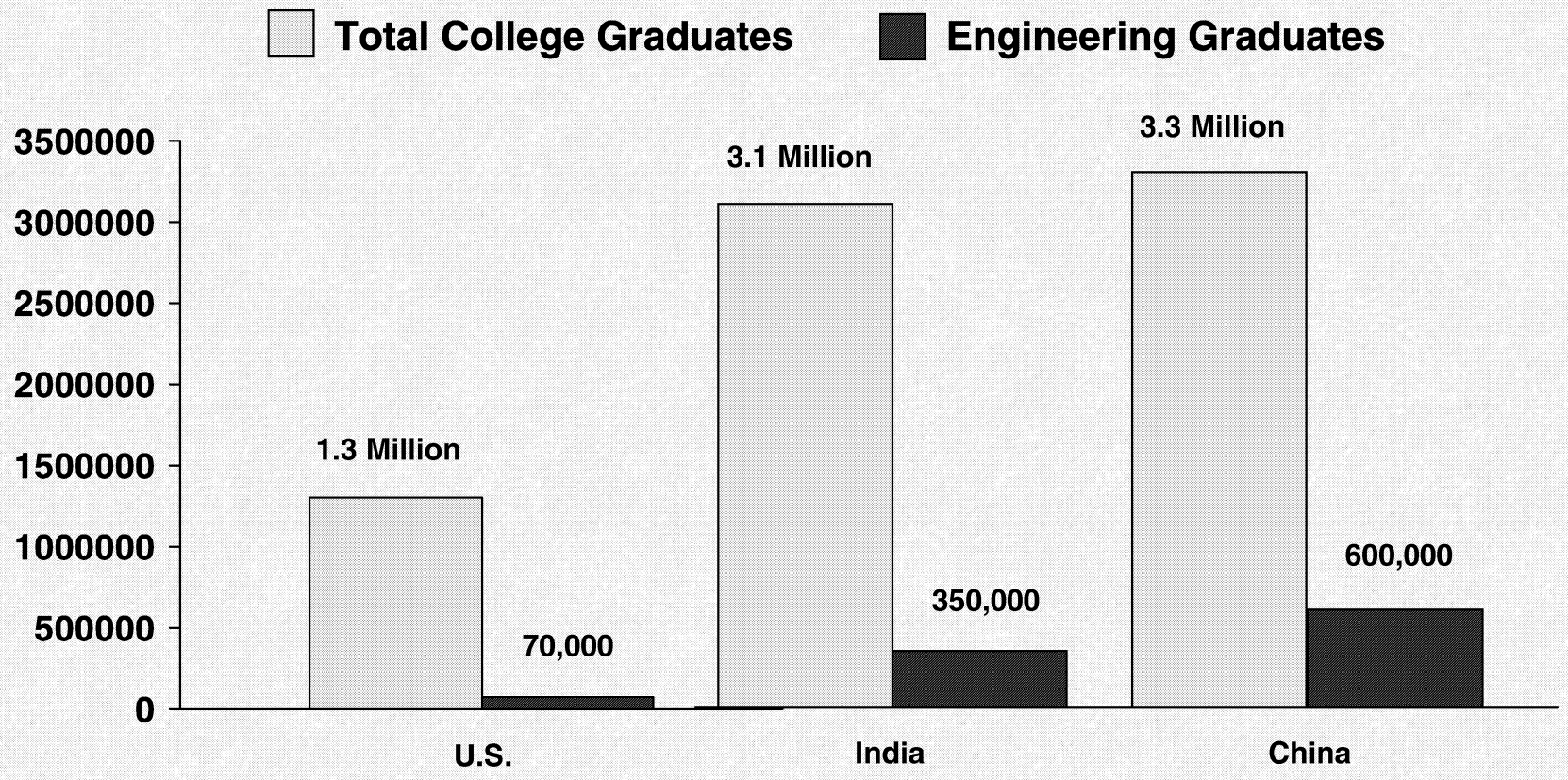
Entry rates to tertiary education (2001)

Sum of net entry rates for single year of age in tertiary-type A and tertiary-type B education



The National Agenda for Higher Education

College graduates this year:



Geoffrey Colvin, Fortune Magazine, July 20, 2005

SHEEO

High School Education in China

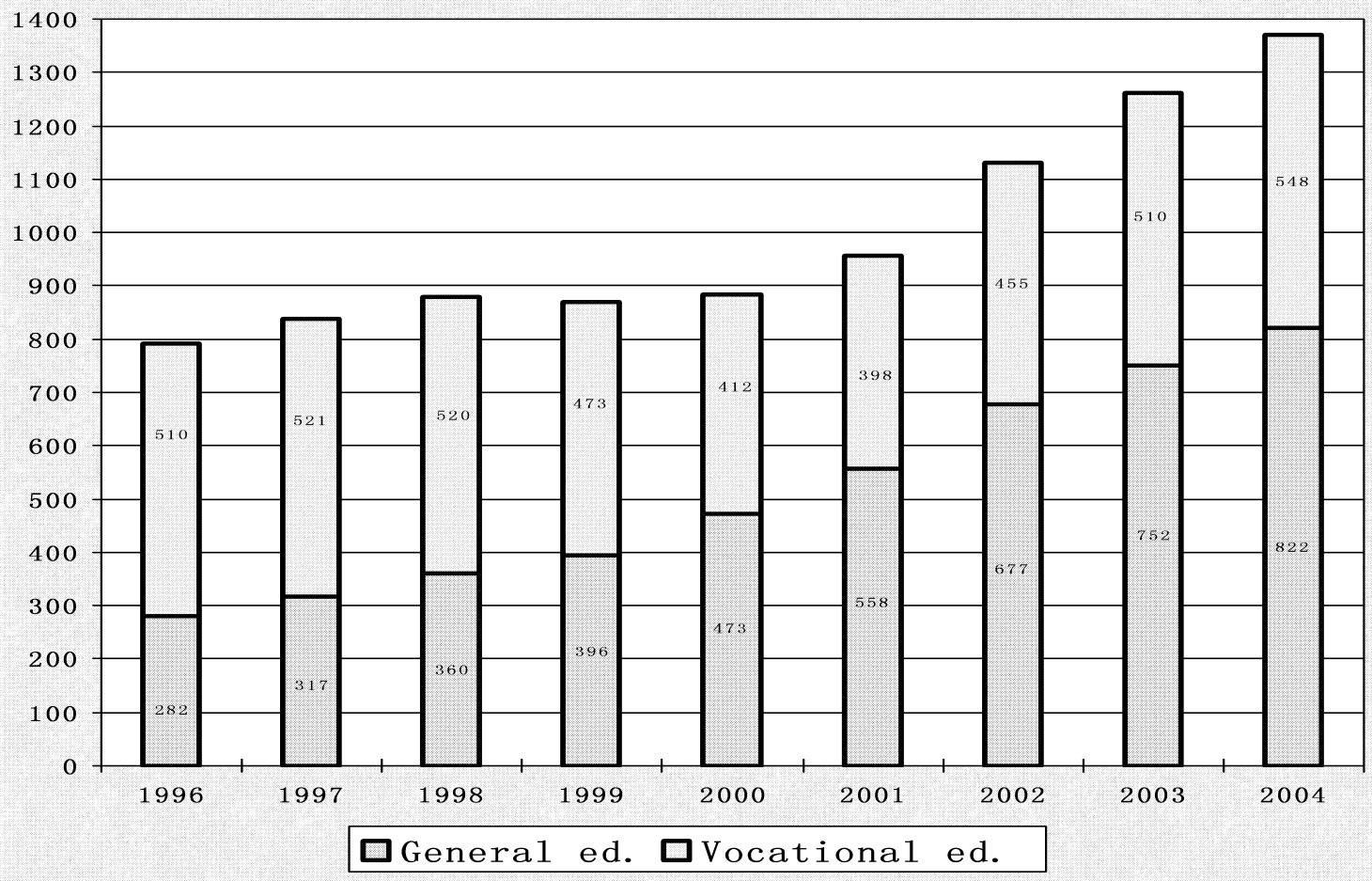
2004 Major Data of the Education System

	No. of schools	No. of teaching staff	No. of students	Gross rate of enrollment
Higher ed.	3,423	970,506	18,352,821	19%
High school ed.	31,493	1,920,894	36,076,284	47.6%
Middle school ed.	63,757	3,500,464	65,762,936	94.1%
Primary ed.	394,183	5,628,860	112,462,256	106.6%
Pre-schooling ed.	117,899	656,083	20,894,002	40.8%

Source: High School Education in China: Challenges and Priorities; Presentation to National Governors Association, July 16, 2005.
By Yang Jin, Deputy Director-General, Department of Basic Education, Ministry of Education, P.R. China.

High School Education in China

The Composition of General and Vocational Education at High School Level (*10,000)



Source: High School Education in China: Challenges and Priorities; Presentation to National Governors Association, July 16, 2005. By Yang Jin, Deputy Director-General, Department of Basic Education, Ministry of Education, P.R. China.

High School Education in China

Quantitative Target

Universalizing 15 years of education is one of the major targets in 2020:

- **3-year preschool education;**
- **9-year compulsory education; and**
- **3-year high school level of education.**

Source: High School Education in China: Challenges and Priorities; Presentation to National Governors Association, July 16, 2005. By Yang Jin, Deputy Director-General, Department of Basic Education, Ministry of Education, P.R. China.

The National Agenda for Higher Education

Potential U.S. service jobs outsourced:

9.6 Million

increasing our unemployment rate to 11.4%

McKinsey estimate, Geoffrey Colvin, Fortune Magazine, July 20, 2005

The National Agenda for Higher Education

American (and Western European) workers are more expensive.

What will it take for them to be worth what they cost?

They must be the best educated in the world.

Geoffrey Colvin, Fortune Magazine, July 20, 2005

What does America need?

To double the degree production

of the 1960s with

no compromise in quality.

2002 High School sophomores plan:

- At least a baccalaureate degree – 80%
- A graduate or professional degree – 40%
- Some postsecondary education – 11%
- No postsecondary education – 9%

Higher Education vs. The State

The Case Against the State

The instruction and research of colleges and universities:

- **Build prosperity**
- **Enhance the quality of life**
- **Are essential for a successful democracy**

Higher Education vs. The State

The Case Against the State

Enrollment demand is unrelenting

YET

State funding is decreasing as a percentage of university revenues

AND

Higher education is receiving a decreasing percentage of state appropriations

Higher Education vs. The State

The States Respond:

- We have funded enrollment growth and inflation
- Tuition and fees increases have greatly exceeded inflation
- The people have needs <u>in addition to</u> higher education
- <u>Where is all the money going?</u>

Higher Education vs. The State

Higher Education Responds:

The CPI doesn't come close to actual cost increases in higher education

Our market basket includes:

- **High priced talent**
- **Cutting edge technology**
- **Etc.**

Higher Education vs. The State

Higher Education Responds:

The money is going for:

- **(Barely) competitive faculty salaries**
- **Student aid and student services**
- **Health care costs and retirement**
- **Keeping pace with technological change**
- **Keeping programs current**
- **Teaching loads to attract strong faculty**
- **O&M of aging facilities**

Higher Education vs. The State

The State Responds – What about:

- Incoherent curricula – courses on obscure topics
- Lots of mediocre research
- Wasteful competition for empty prestige
- Wasteful uses of faculty time
- Frills (athletics, amenities) for pampered students (Your children and mine!)
- Unjustified reductions in teaching loads
- No motivation to reduce costs in seller's market

Higher Education vs. The State

Grand Jury's Deliberations:

- We need excellent higher education, and lots of it.
- We only have so much money.
- Can't you folks figure this out?

Higher Education vs. The State

Grand Jury's Verdict:

Plaintiff

and

Defendant

– both indicted!

What's the Answer?

Better accountability!

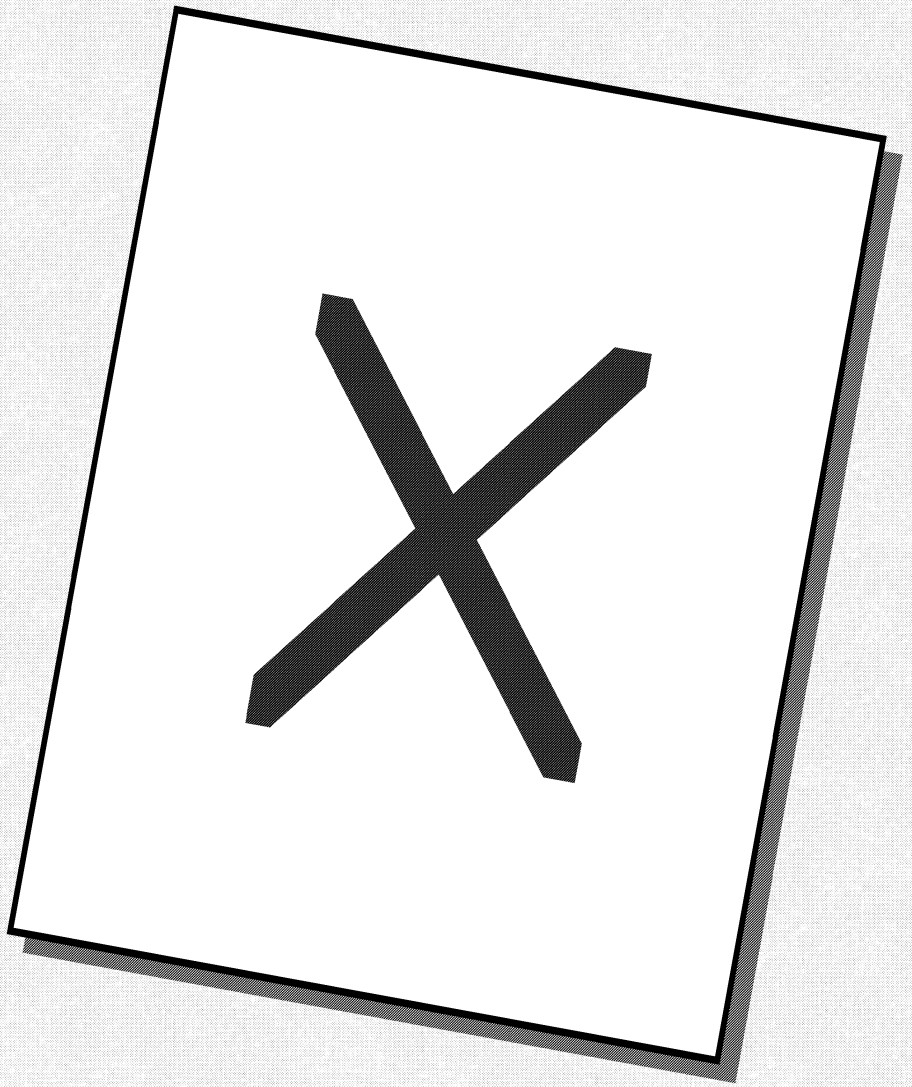
The National Commission on Accountability in Higher Education

- **Commissioners:**
  - Two Governors
  - Three legislators
  - Three state higher education executives
  - Three institutional leaders
  - Two business representatives
- **Research and Advisory Group:**
  - Joseph C. Burke
  - Peter T. Ewell
  - Margaret A. Miller
  - Nancy Shulock
  - Jane V. Wellman

The National Commission on Accountability in Higher Education

Report was released

March 10, 2005



What is "better accountability?"

- **Not the status quo – Unfocused, unread, unused reporting exercises;**
- **Not measuring performance, rewarding performance or punishing the lack of performance;**
- **Not centralized bureaucracies, but**

A WAY TO IMPROVE PERFORMANCE

SHEEO

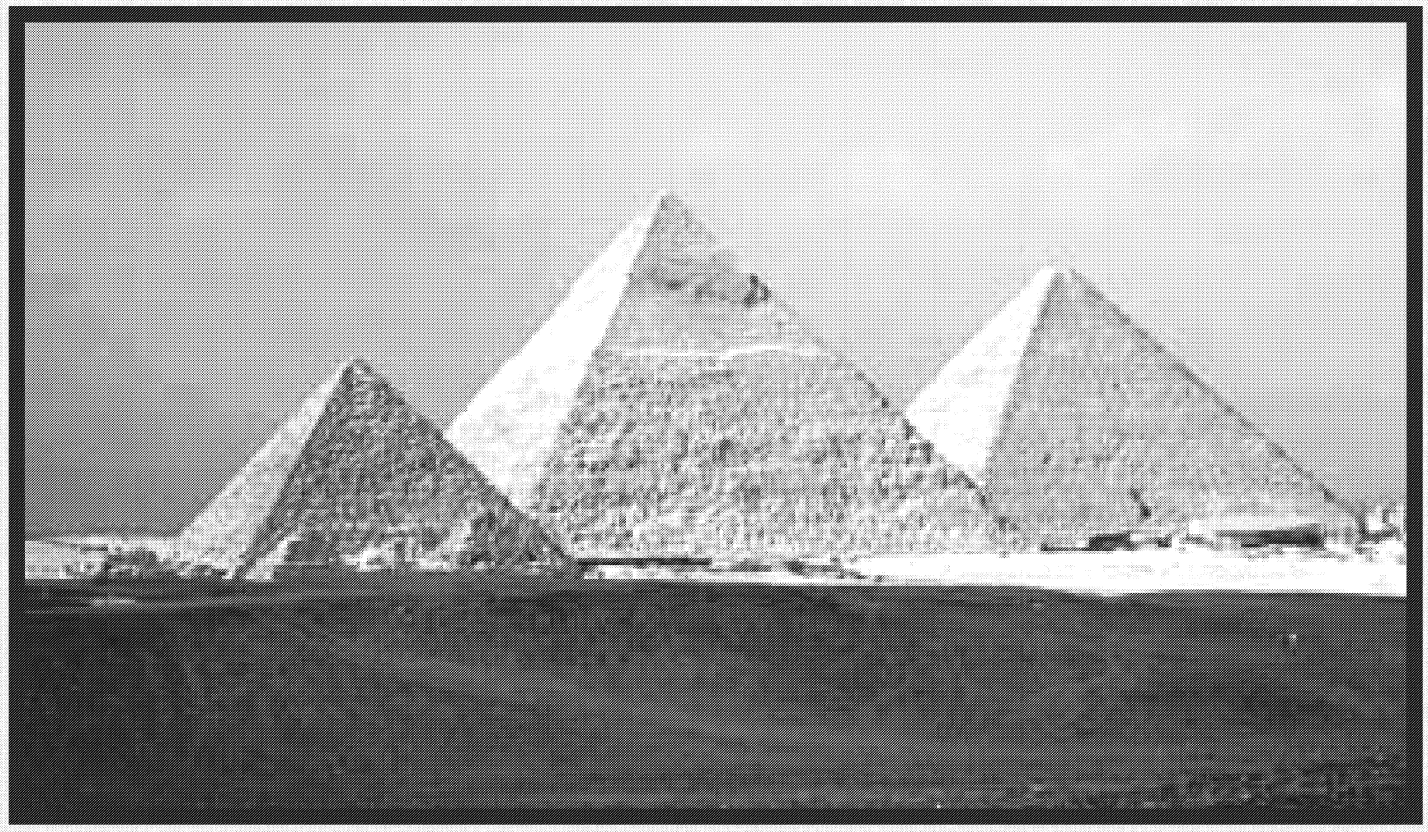
The National Commission on Accountability in Higher Education

Fundamental Principles

- **Responsibility for performance – *and* accountability – is shared among**
  - **Teachers and learners**
  - **Policy makers and educators**
- **Effective accountability will be based on:**
  - **Pride, not fear**
  - **Aspirations, not minimum standards**
- **Effective accountability will be:**
  - **A tool for self-discipline, not finger-pointing**

The National Commission on Accountability in Higher Education

Pride Not Fear



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The National Commission on Accountability in Higher Education

Components of Effective Accountability

- **Affirm and pursue fundamental goals**
  - The public agenda vs. market position
- **Establish and honor a division of labor**
  - Top-down centralization is a dead end
- **Focus on a few priorities at every level**
  - No focus, no progress
- **Measure results, respond to evidence**
  - Elementary Balridge

State Responsibilities

- Set clear public goals for higher education
- Stay focused on a policy agenda, stay out of institutional operations
- Measure results, including student learning, and work collaboratively to achieve goals
- Provide necessary resources

Federal Responsibilities

- **Focus on enhancing access to opportunity**
- **Maintain, enhance research support and quality**
- **Improve data resources**

Institutional Responsibilities

- Improve teaching and learning
- Assure access to opportunity in tuition and financial aid policies
- Assure research quality and value
- Improve productivity

What's the Answer?

Money!

Wrong Ideas about Money

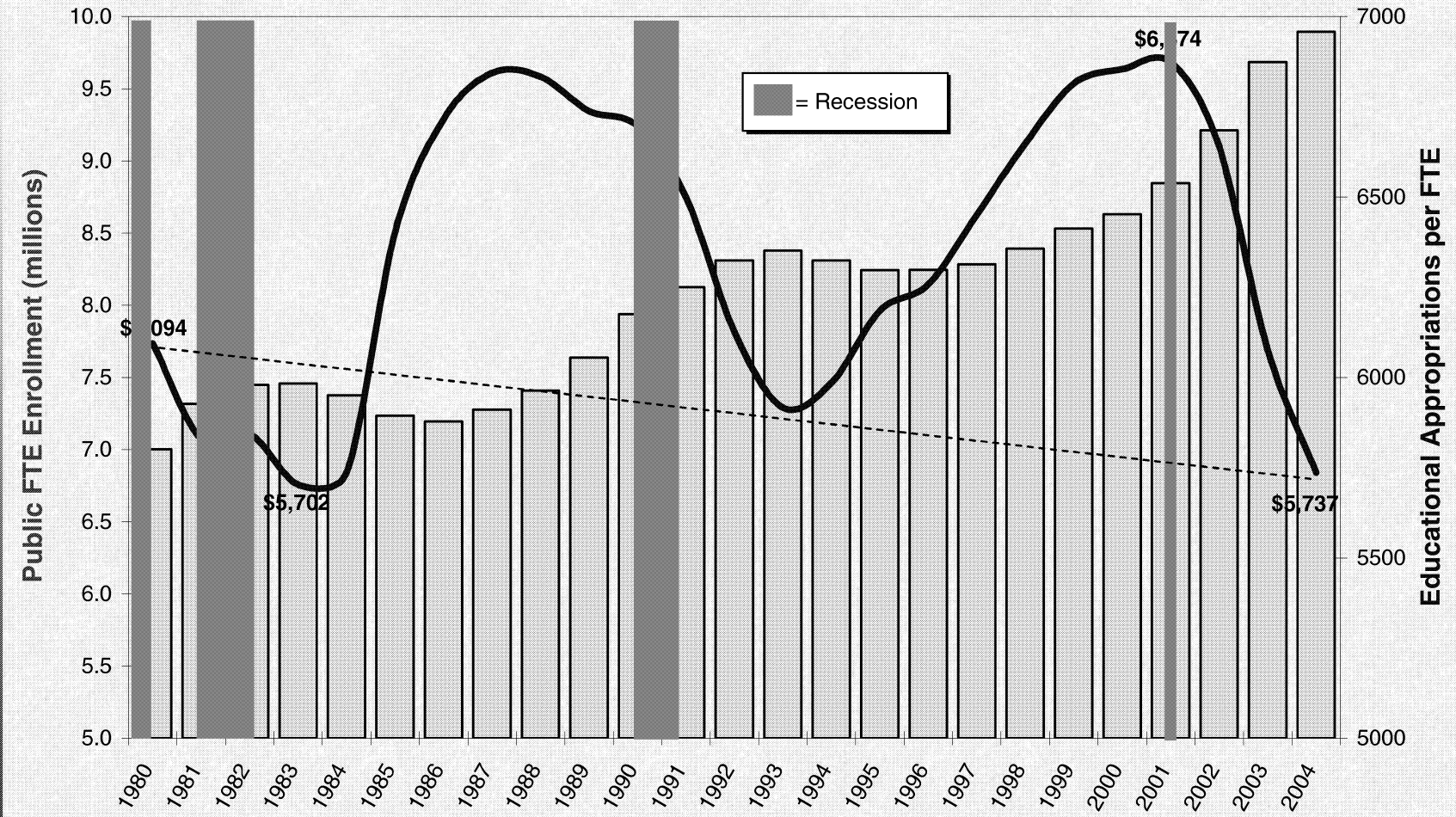
- There is a "right" amount
- The only way to get better results is spend more money
- We can get the results we need without spending more money

Right Questions about Money

- What do we need from higher education?
- What can we do better with the money we have?
- What do we need that justifies additional funds?

State Funding per FTE Student 1980-2004

Enrollment Growth and Public Higher Education Appropriations per FTE, U.S., Fiscal 1980-2004
(Constant 2004 dollars adjusted by SHEEO Higher Education Cost Adjustment)



Note: State and local government support, excluding research, agricultural, and medical.
Source: SHEEO SHEF

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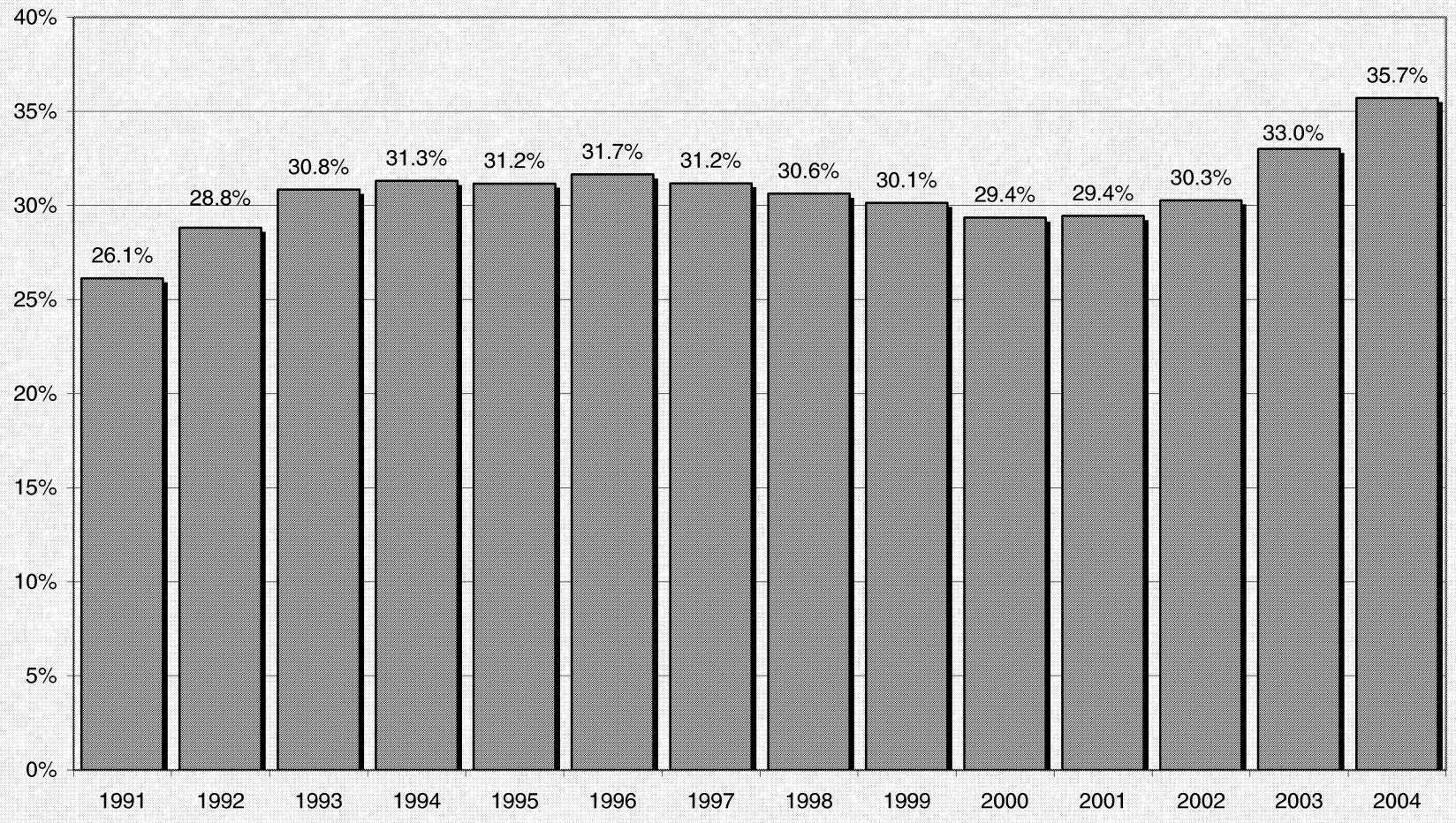
Growth in Net Tuition 14 years

Net Tuition as a Percentage of Public Higher Education Total Educational Revenues, U.S., Fiscal 1991-2004



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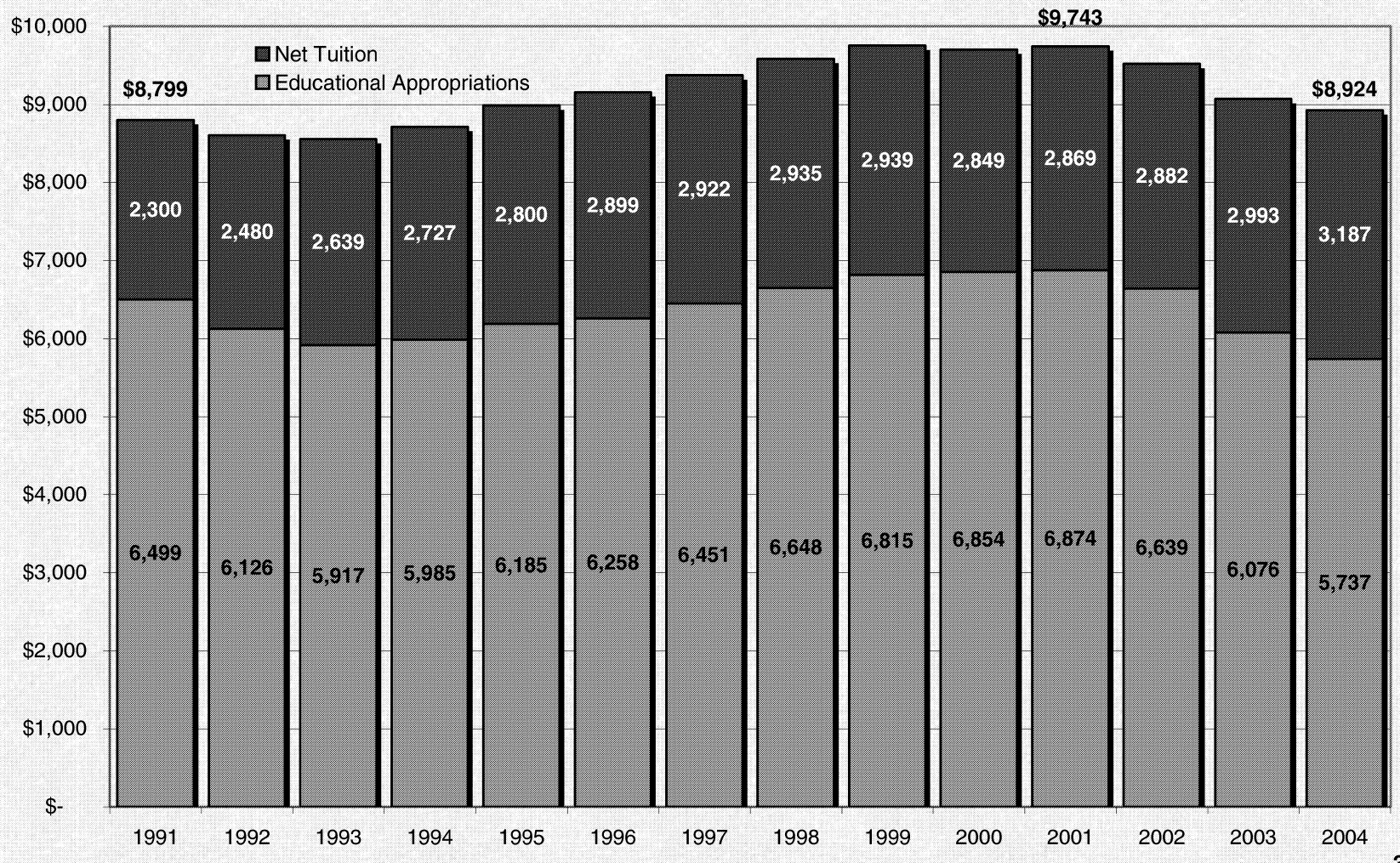
Educational Revenue per FTE 14 years

Total Educational Revenues per FTE by Component, U.S., Fiscal 1991-2004
(Constant 2004 dollars adjusted by SHEEO Higher Education Cost Adjustment)



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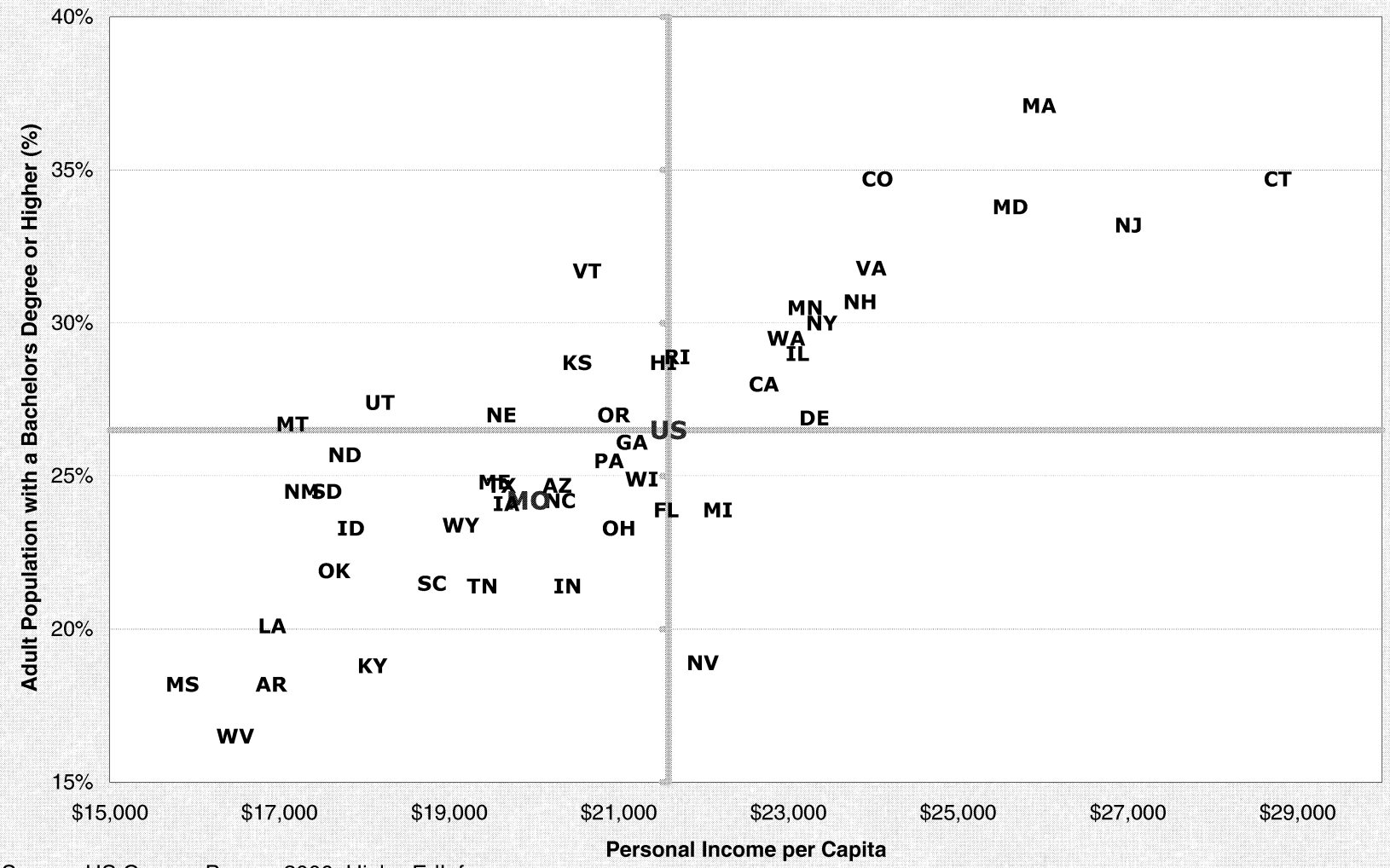
Right Questions about Money

- What do we need from higher education?
- What can we do better with the money we have?
- What do we need that justifies additional funds?

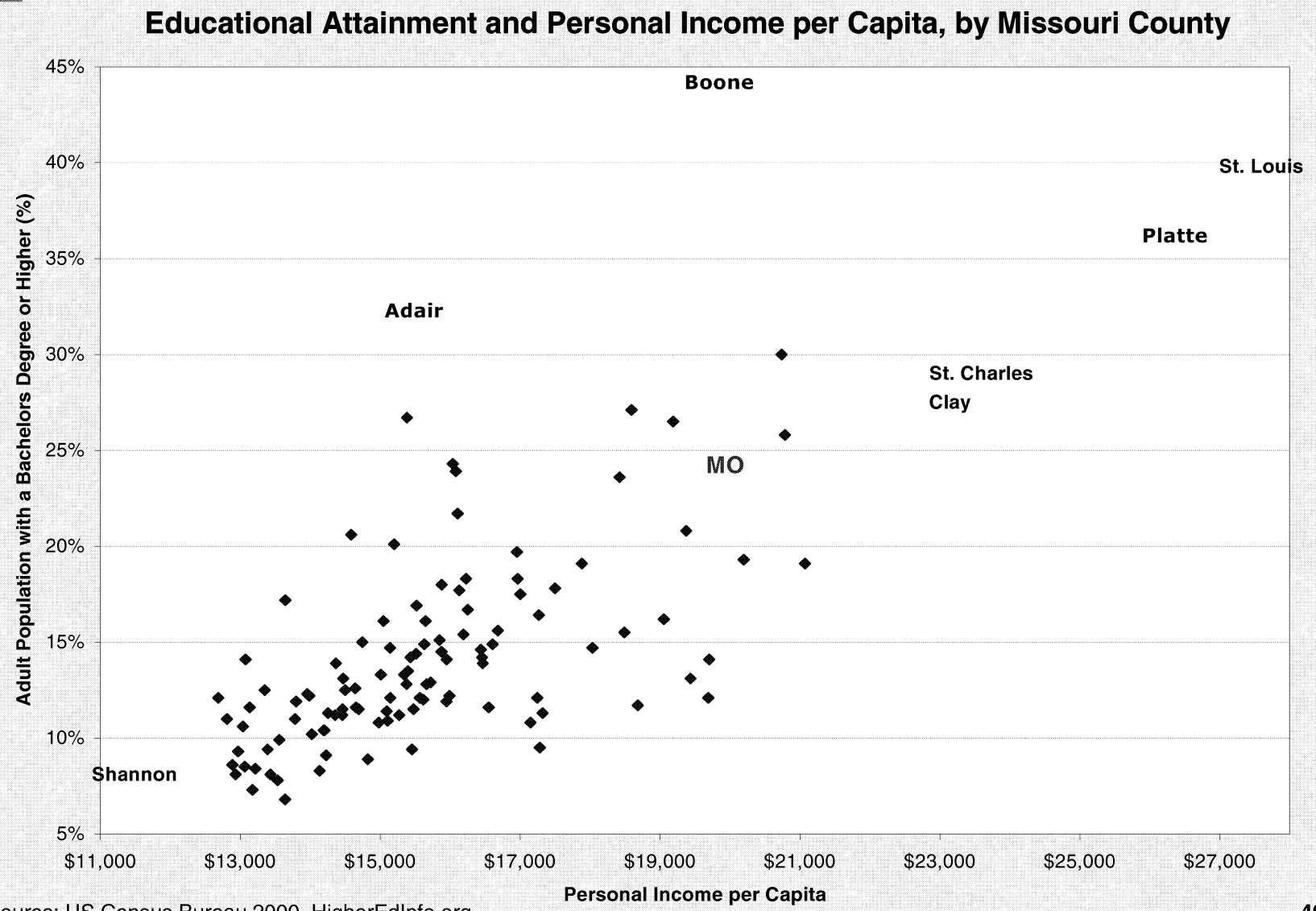
Missouri in the National Context

Educational Attainment and Personal Income per Capita, by State



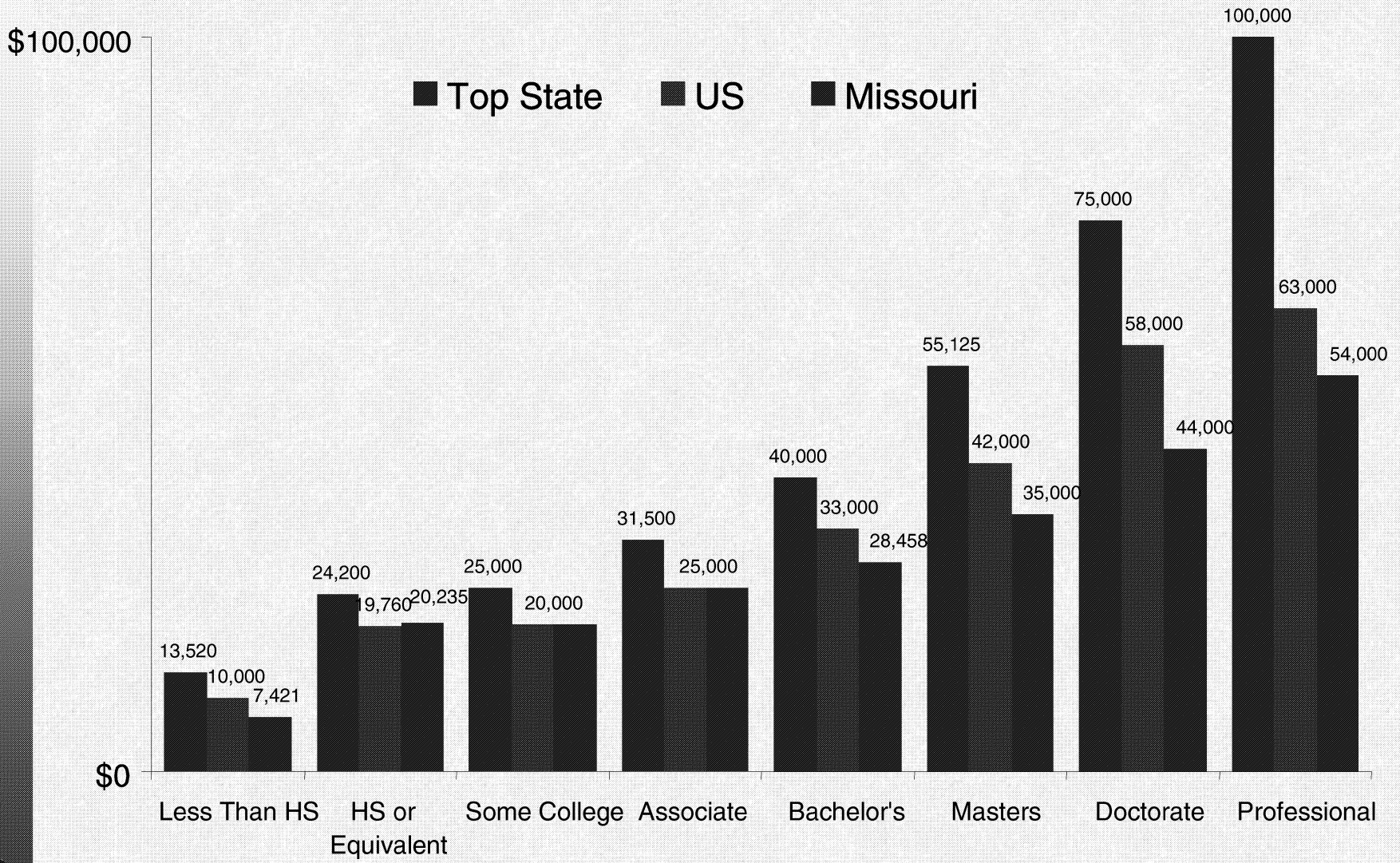
Source: US Census Bureau 2000, HigherEdInfo.org

Education and Income within Missouri



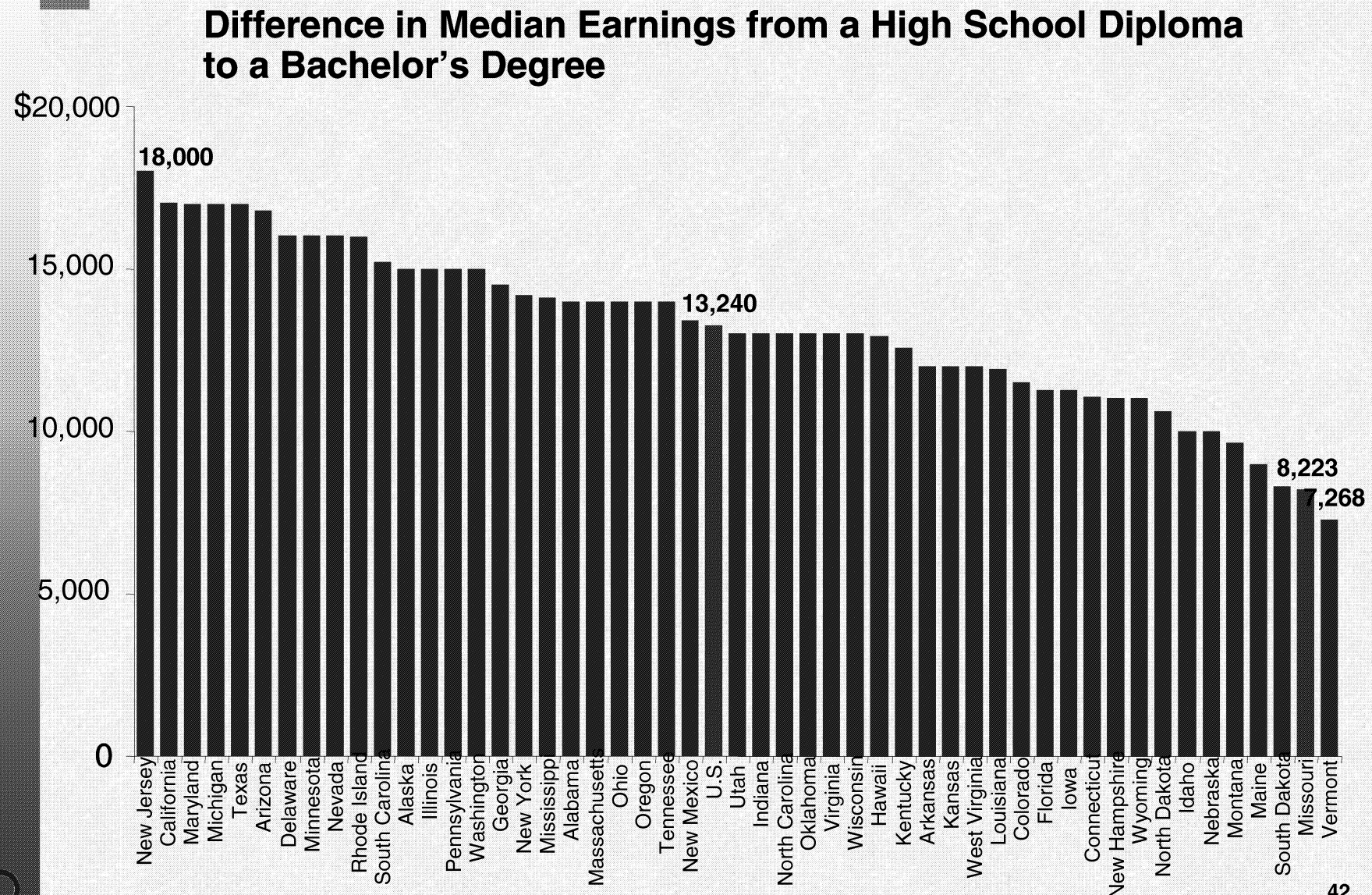
Source: US Census Bureau 2000, HigherEdInfo.org

Median Earnings by Degree-Level ($)



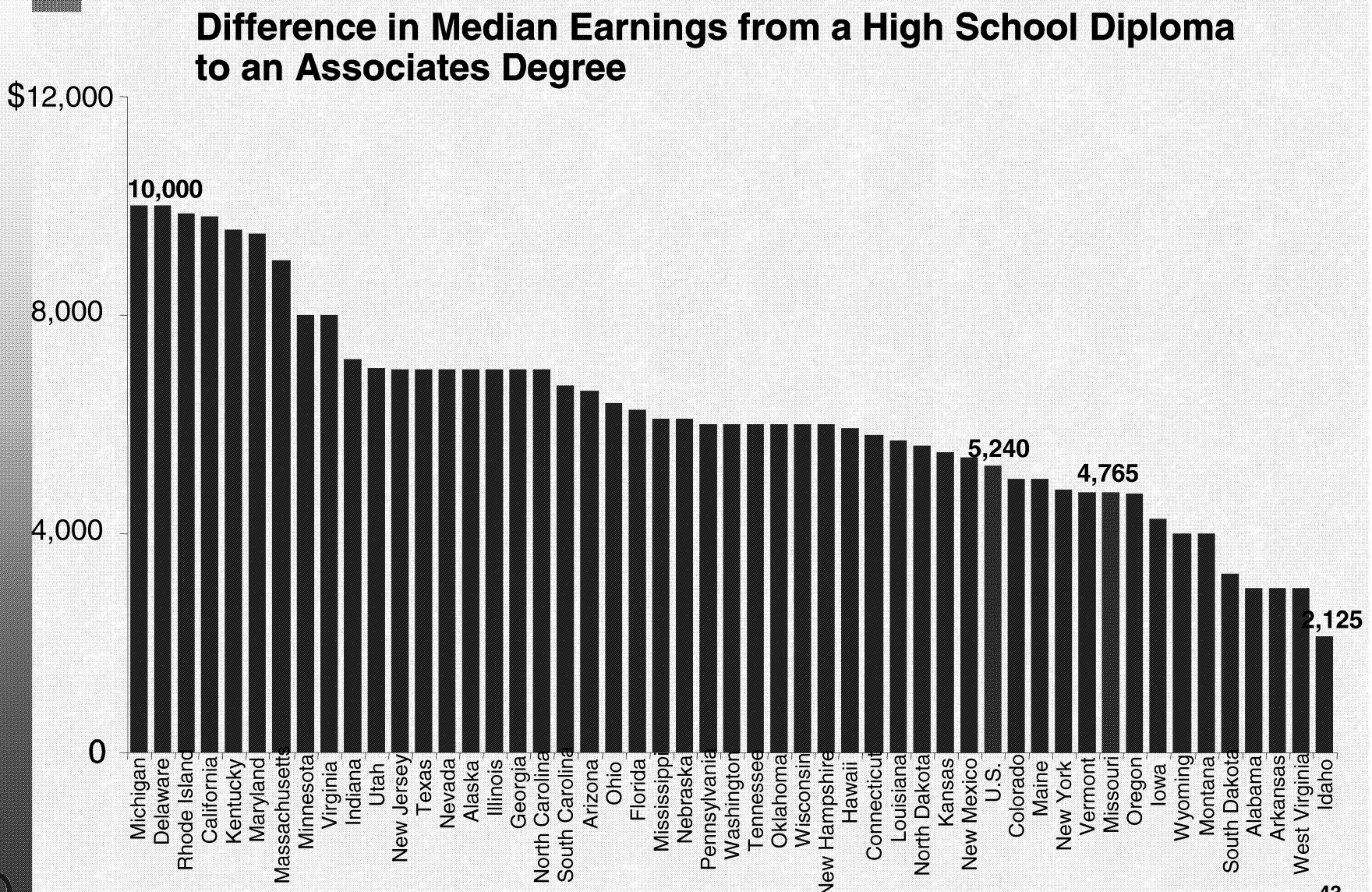
Source: US Census Bureau, Current Population Survey – 1998 to 2001

Median Earnings Difference ($)



Source: US Census Bureau, Current Population Survey – 1998 to 2001

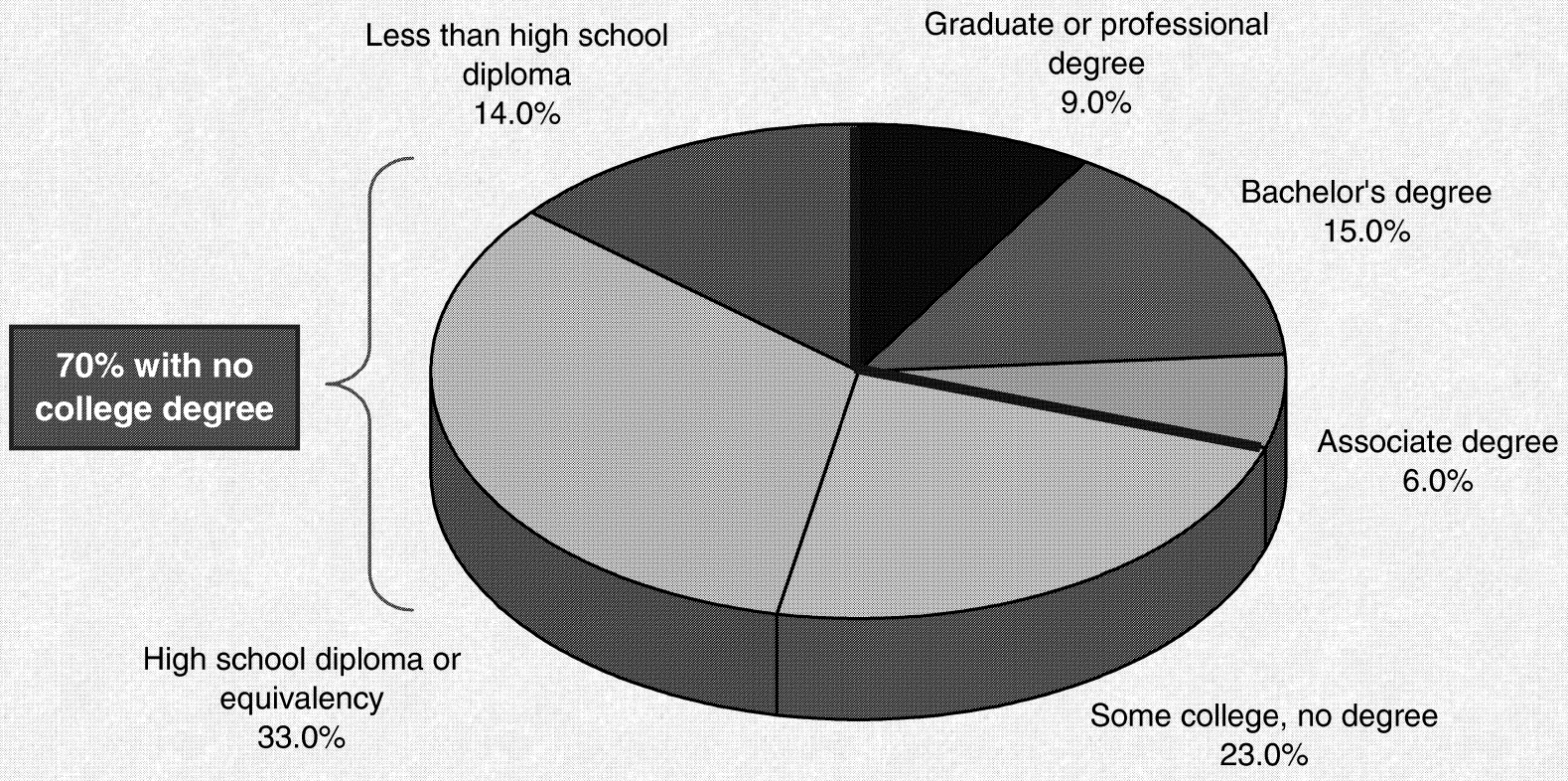
Median Earnings Difference ($)



Source: US Census Bureau, Current Population Survey – 1998 to 2001

Missouri's Situation

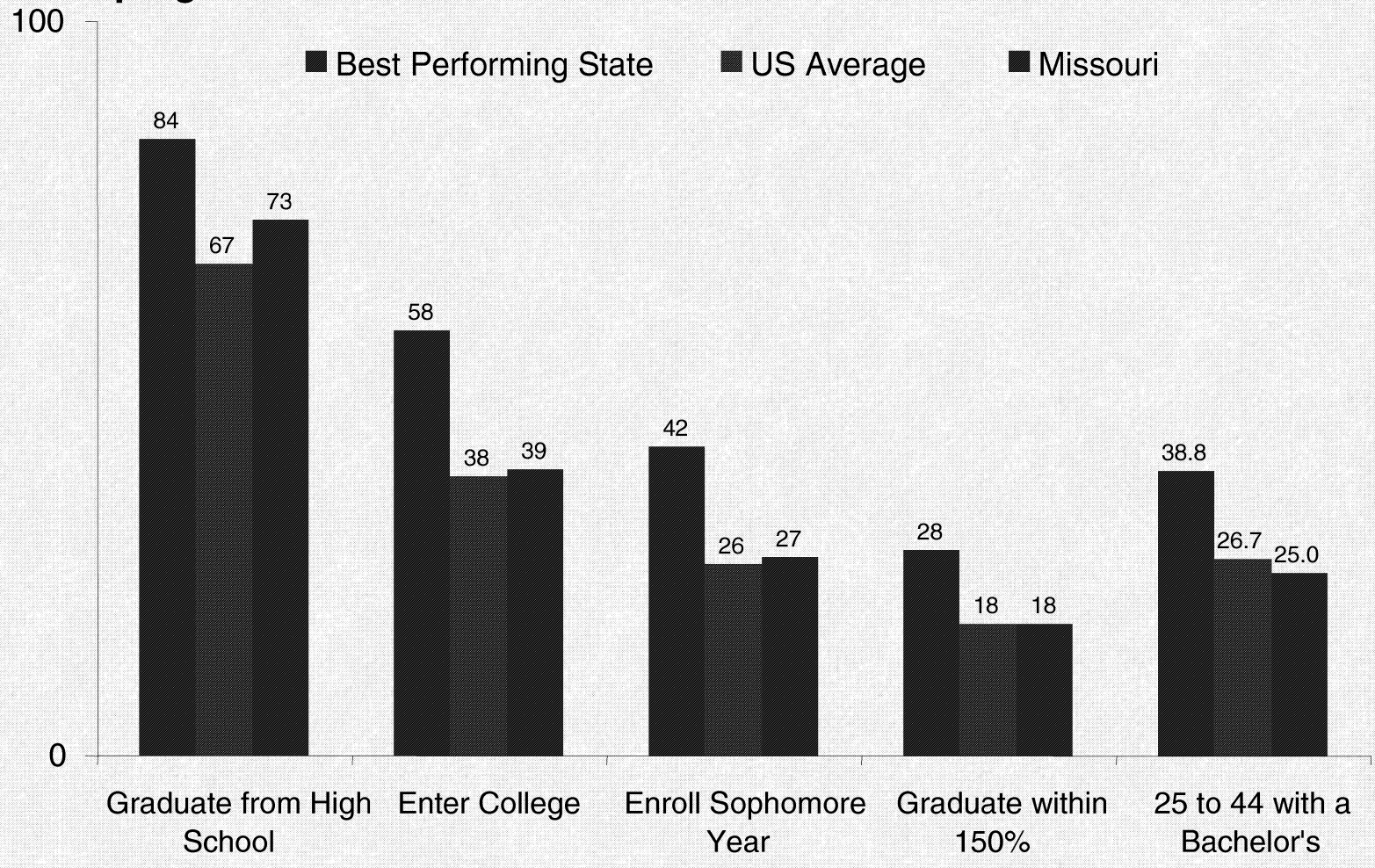
Missouri Adults (age 25 and up) by Highest Education Level



Source: U.S. Census Bureau, American Community Survey, 2004

Student Pipeline – National context

Of 100 9th Graders – the number who graduate from HS within four years, go directly to college, return their second year, and graduate within 150% of program time



Sources: Tom Mortenson, ACT, NCES-IPEDS Graduation Rate Survey, US Census Bureau

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Objectives

Typical Financial Aid Program Goals:

Access

Retention

Choice

Reward Talent

Career Choice

Equalize Tuition

Source: Jerry Sheehan Davis, Lumina Foundation

The MOST important objective

The 21st century bottom line:

Maximize successful participation in higher education

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Policies Aligned with Objective

Requirements to maximize success in higher education

- **Affordability,** ***which is required for . . .***
- **Aspiration and effort,** ***leading to . . .***
- **Adequate preparation,** ***which requires . . .***
- **Effective instruction,** ***and when the system fails***
- **Remediation**

Policies Aligned with Objective

Affordability – does financial aid matter?

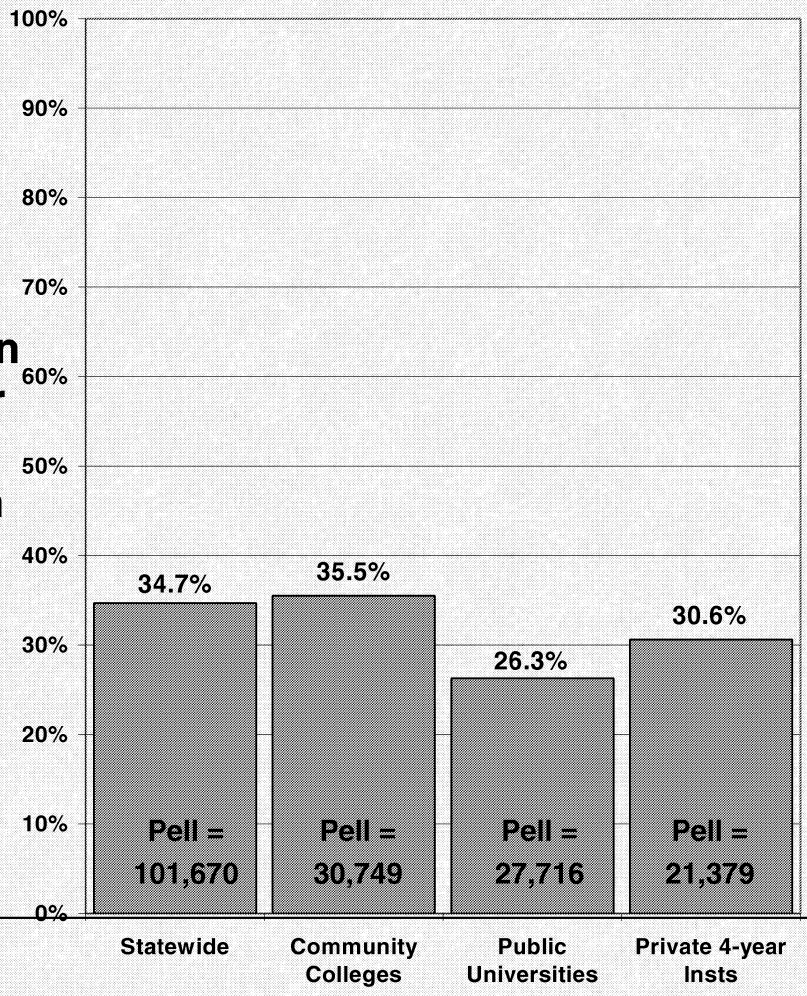
College Participation By Achievement Test and Socioeconomic Status Quartile

		SES Quartile	
		Lowest	Highest
Achievement Quartile	Highest	78%	97%
	Lowest	36%	77%

Source: Access Denied, Department of Education, February 2001

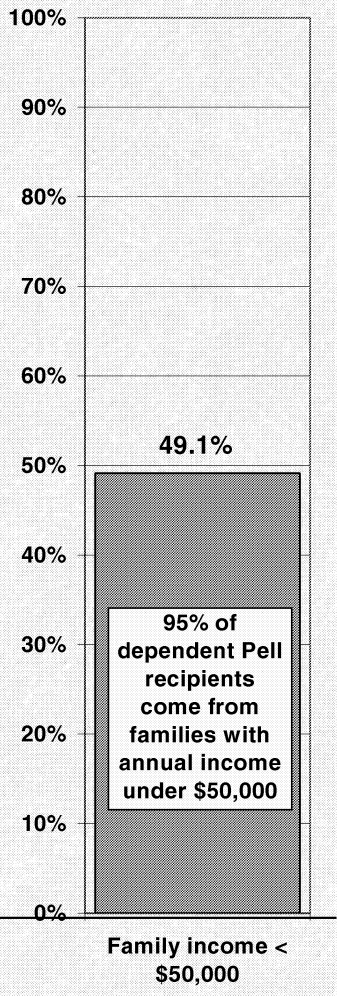
Missouri's Situation

Low income representation among higher education institutions in Missouri…



Pell Grant recipients as a percentage of Missouri undergraduate enrollments, by sector

… and in the state population at large.



Families with annual income under $50,000 as a percentage of Missouri's population

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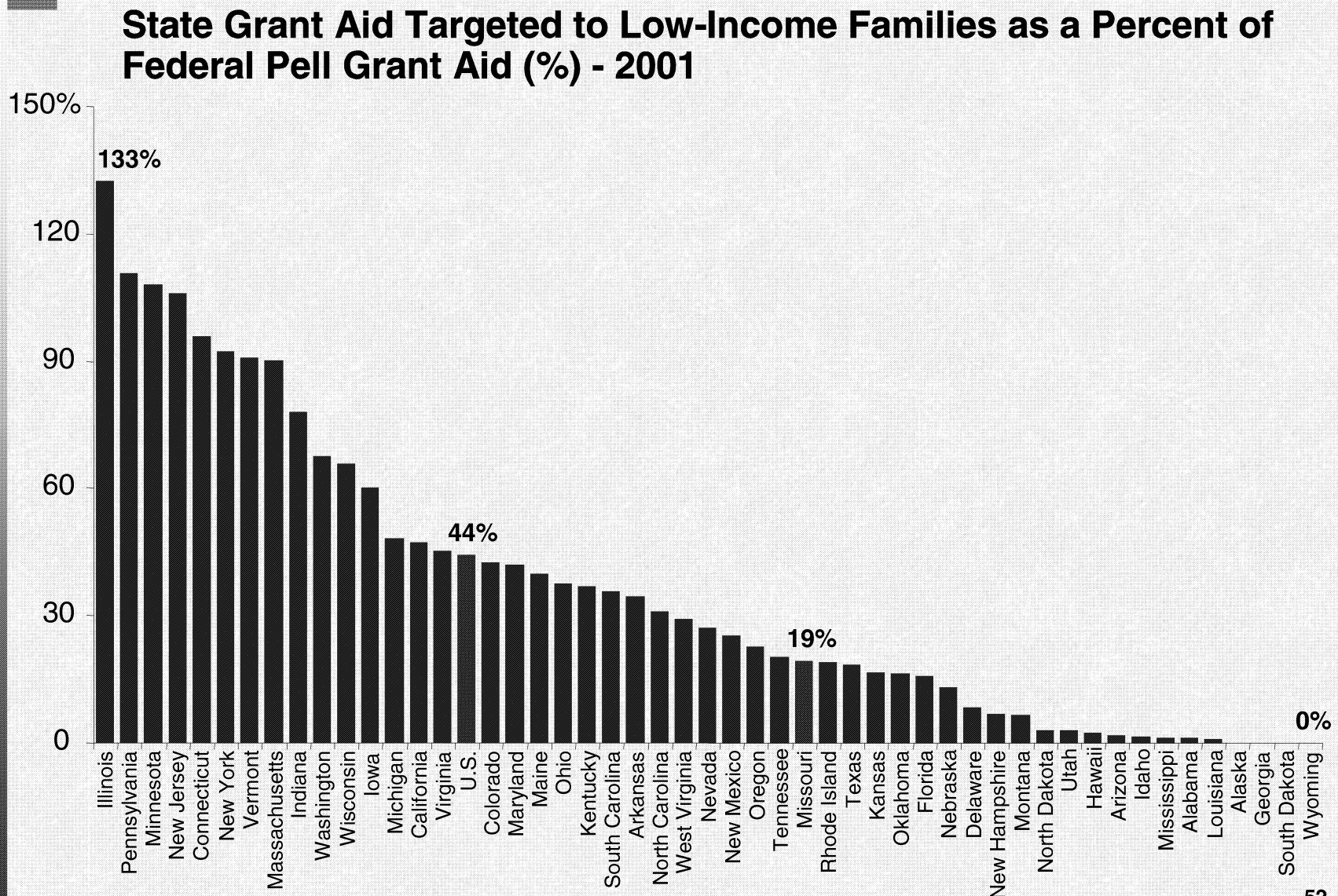
Missouri's Situation

Attendance Costs, Pell Grant, and Remaining Need (Missouri Residents with $0 Expected Family Contribution)

	University of. Missouri - Columbia	Other Missouri Universities	Community Colleges Living On Campus	Community Colleges Living Off Campus
Tuition & Fees	$6,622	$5,128	$2,071	$2,071
Living expenses, transportation, books & supplies, etc.	$9,120	$7,850	$4,577	$10,243
Total Attendance Costs	**$15,742**	**$12,978**	**$6,648**	**$12,314**
Pell Grant (maximum)	$4,050	$4,050	$4,050	$4,050
Remaining Need (to be met from loans, other grants, and student self-help	**$11,692**	**$8,928**	**$2,598**	**$8,264**

Missouri in context – State Grant Aid



Source: NCPPHE, Measuring Up: 2000

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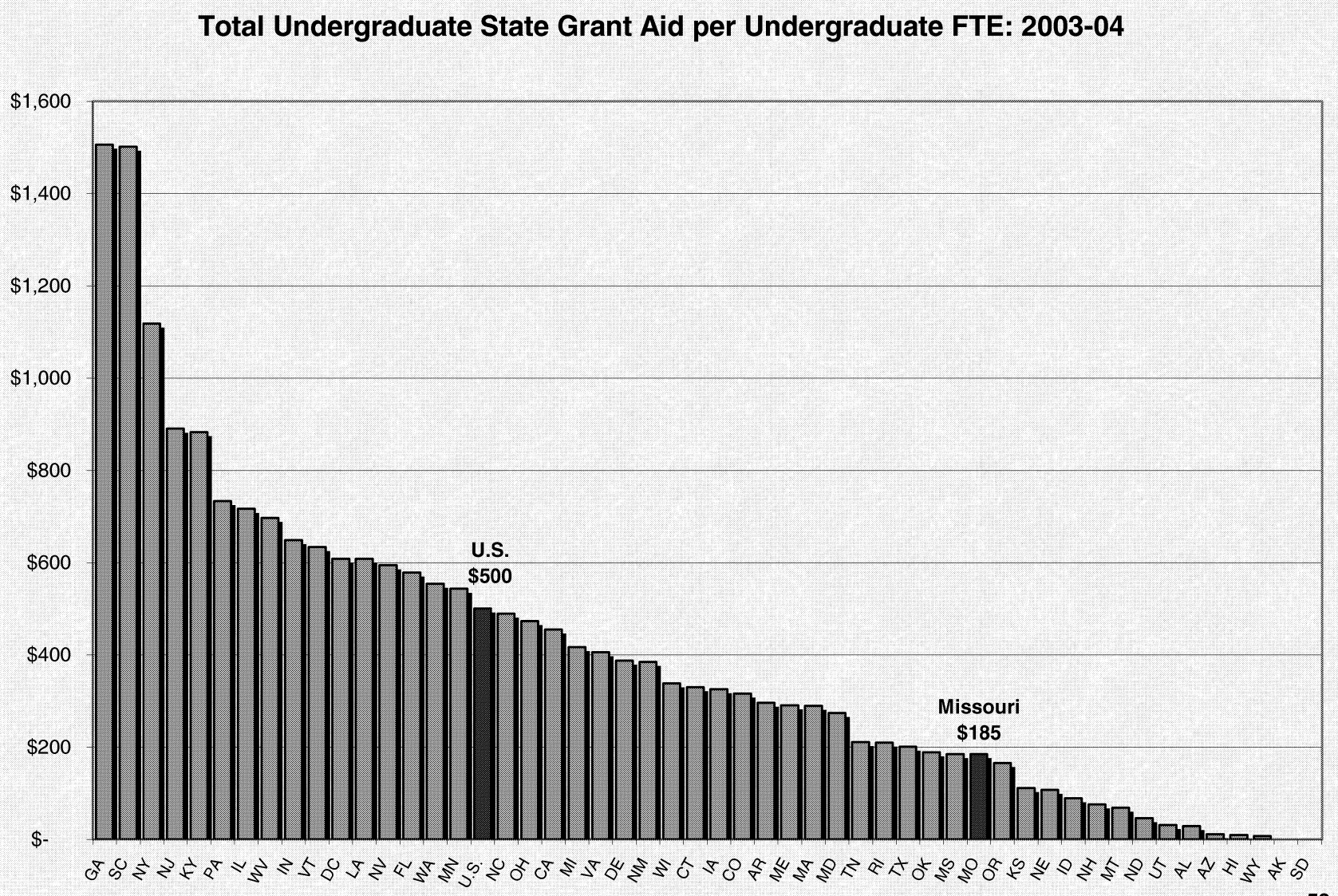
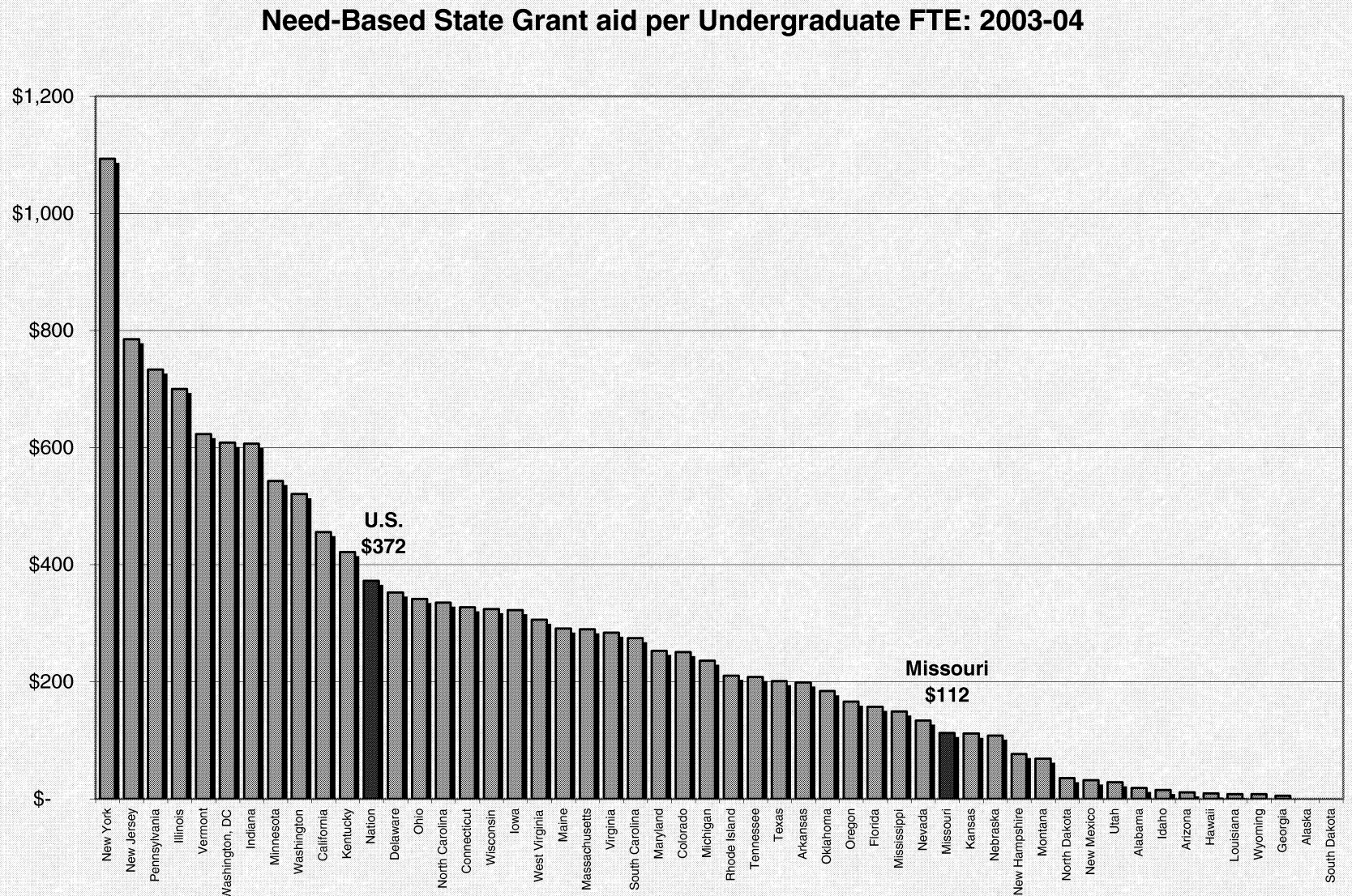
Missouri in context: Total aid/FTE



Missouri in context: Need based aid/FTE



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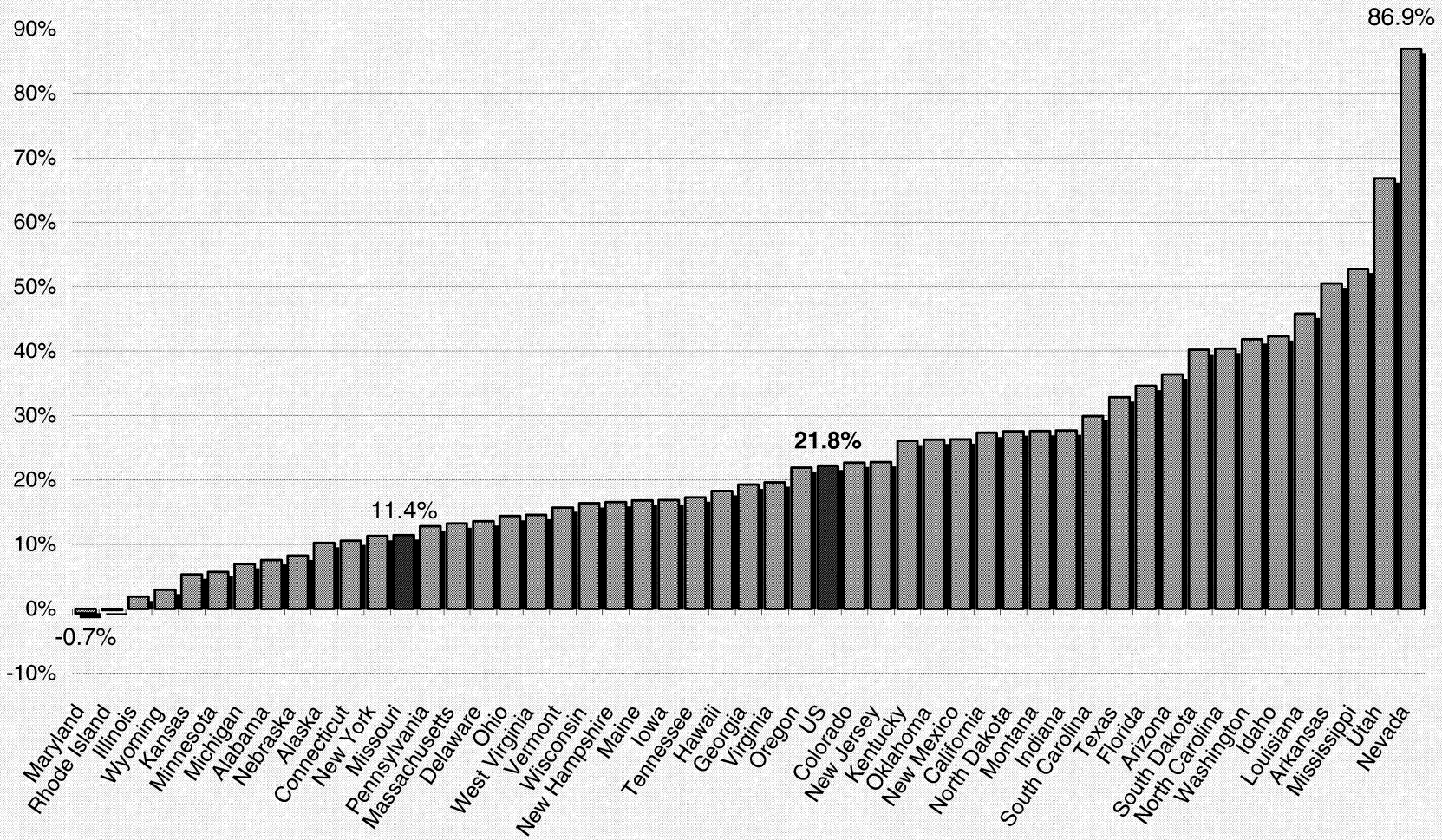
Implementing Financial Aid

State Role

- Need-based grant assistance –
  - Essential to offset tuition costs for low- and moderate-income students
  - Should be routine, entirely dependable
- Merit or blended need/merit grant assistance –
  - Useful for motivating preparation
- Outreach and transparency –
  - Improves aspiration and preparation

Missouri in context: Enrollment

Full-Time Equivalent Enrollment in Public Higher Education, Percent Change by State, Fiscal 1991-2004



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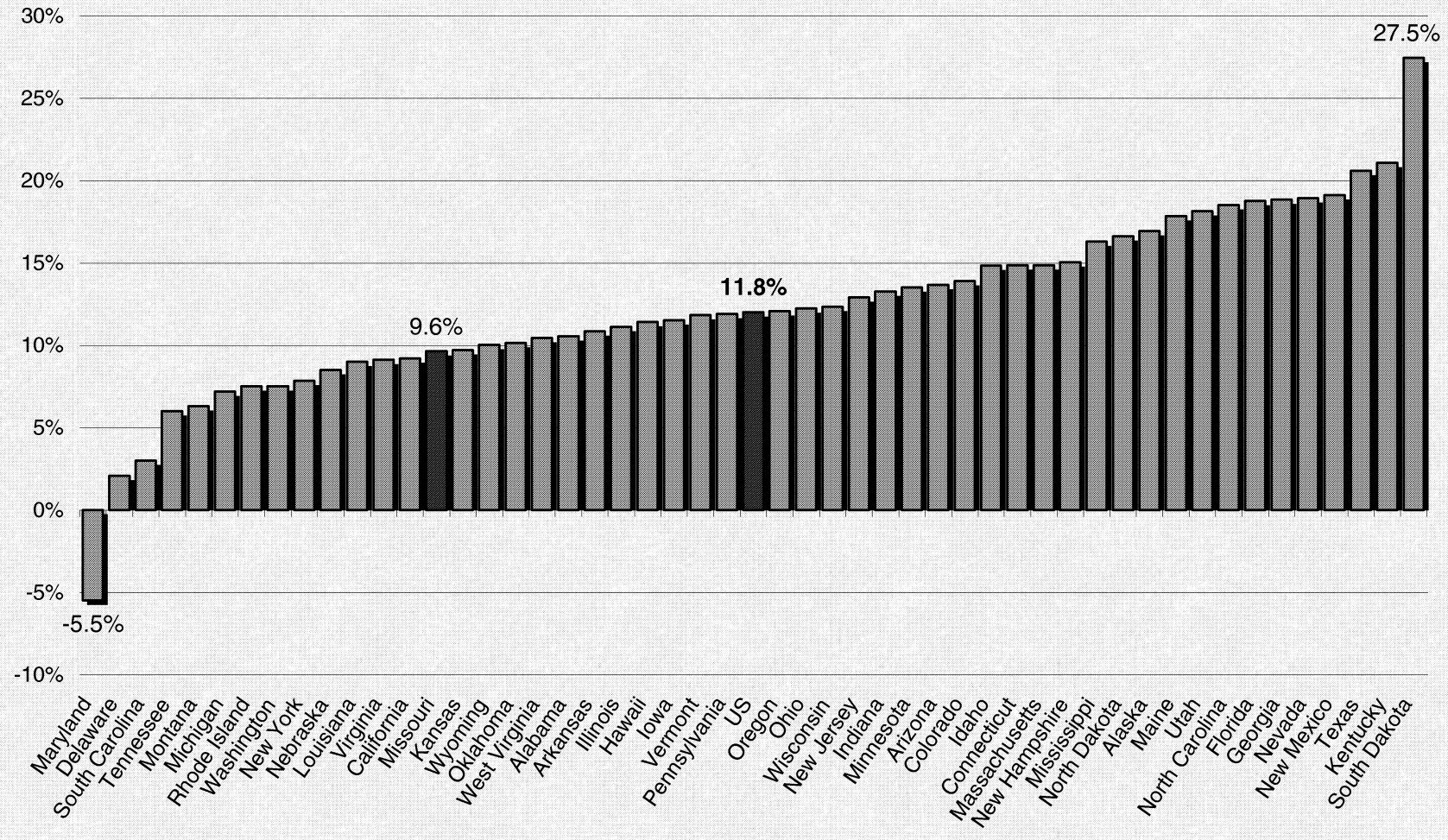
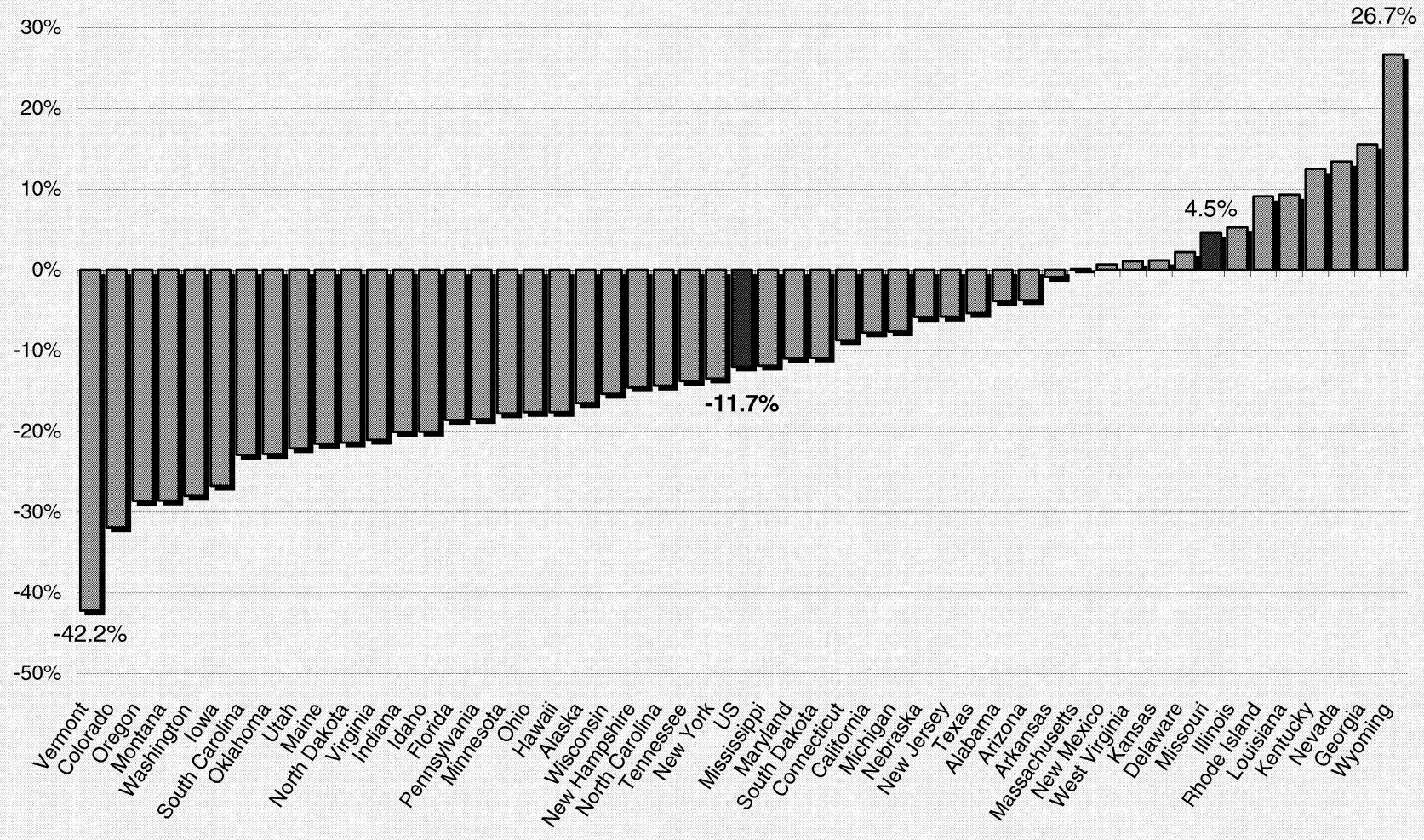
Missouri in context: Enrollment

Full-Time Equivalent Enrollment in Public Higher Education, Percent Change by State, Fiscal 2001-2004



Missouri in context: Appropriations

Educational Appropriations per FTE, Percent Change by State, Fiscal 1991-2004
(Constant 2004 dollars adjusted by SHEEO Higher Education Cost Adjustment)



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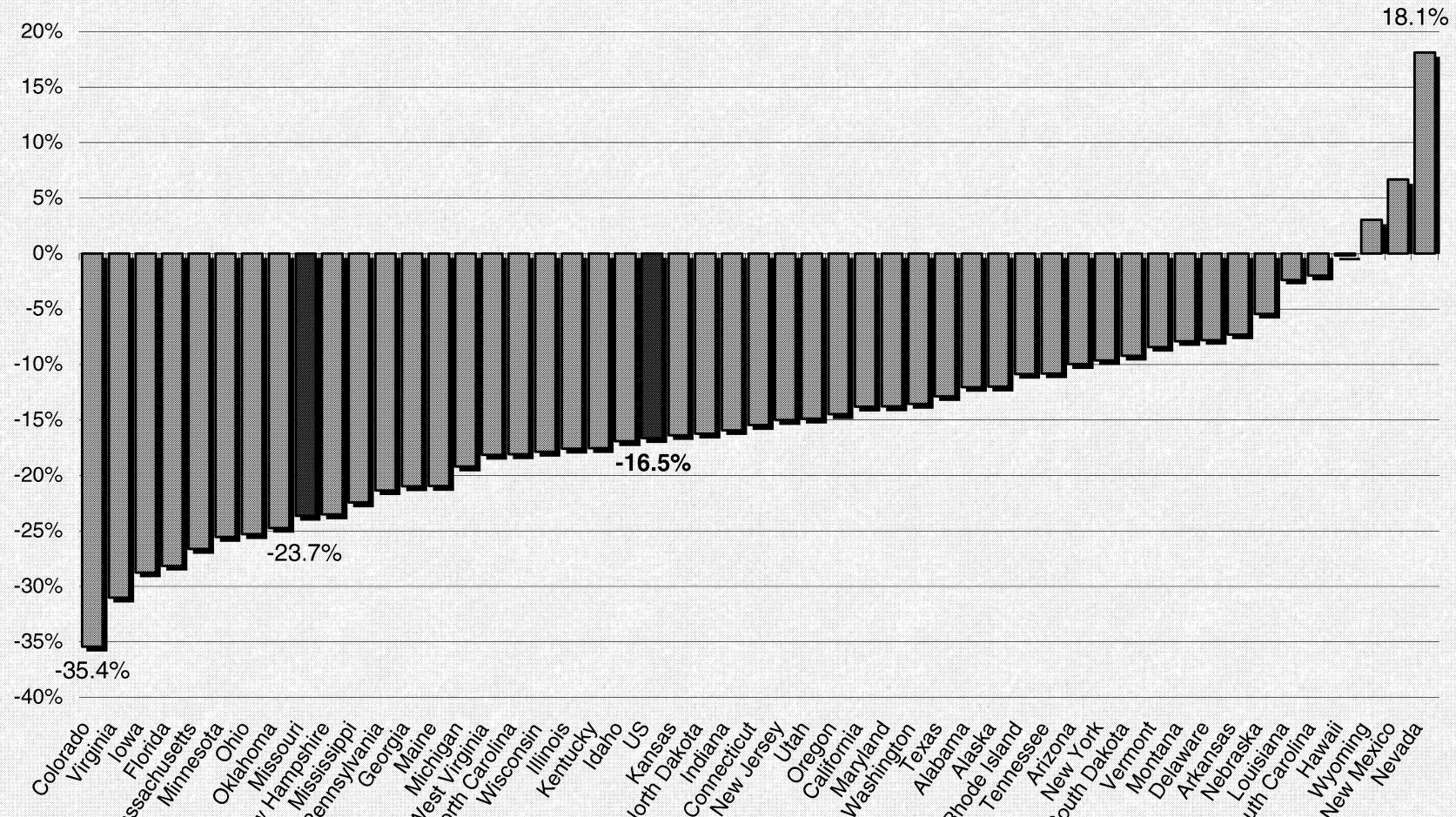
Missouri in context: Appropriations

Educational Appropriations per FTE,
Percent Change by State, Fiscal 2001-2004



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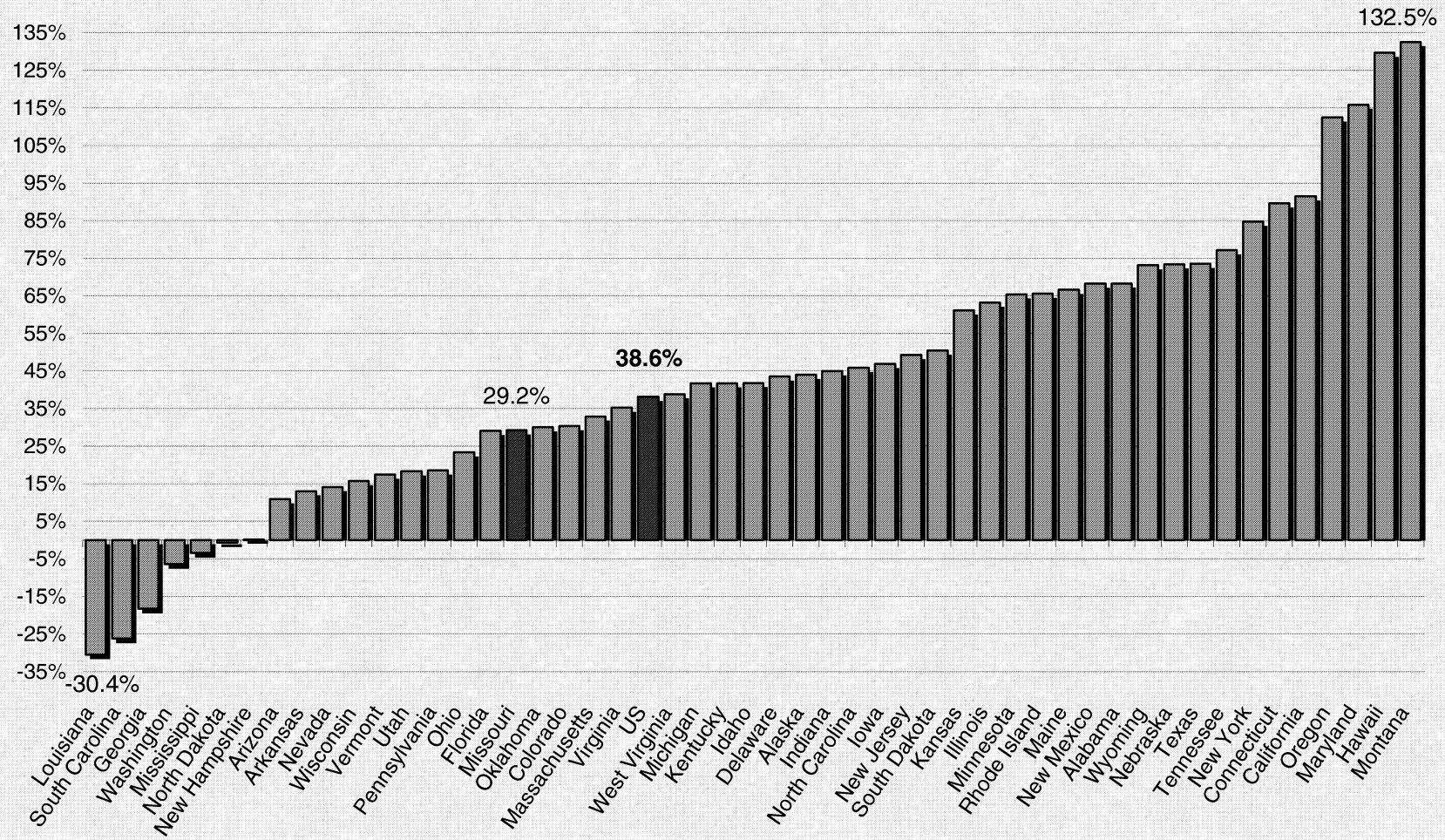
Missouri in context: Tuition growth

Net Tuition Revenue per FTE, Percent Change by State, Fiscal 1991-2004
(Constant 2004 dollars adjusted by SHEEO Higher Education Cost Adjustment)



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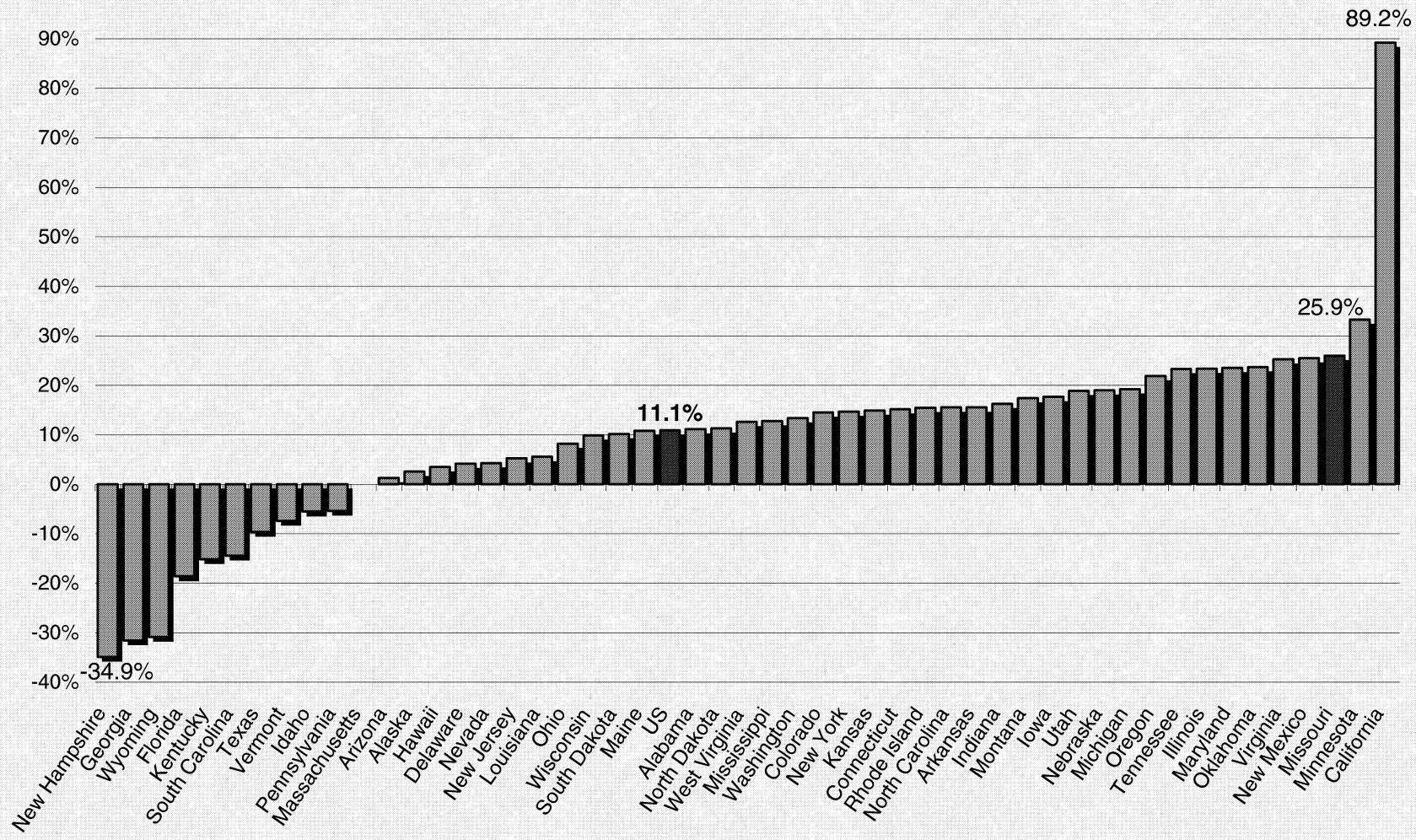
Missouri in context: Tuition Growth

Net Tuition Revenue per FTE,
Percent Change by State, Fiscal 2001-2004



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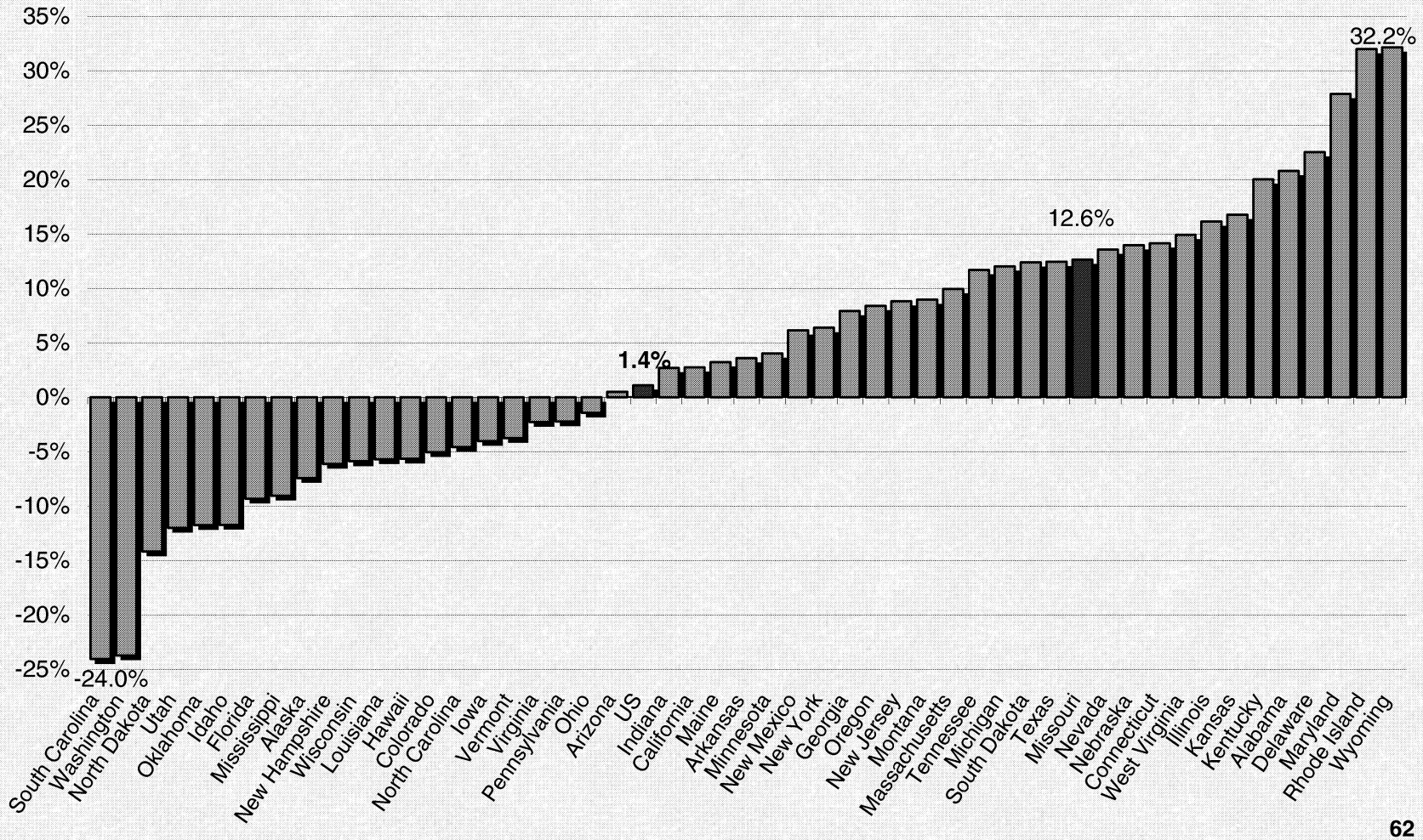
Missouri in context: Revenue Growth

Total Educational Revenues per FTE, Percent Change by State, Fiscal 1991-2004
(Constant 2004 dollars adjusted by SHEEO Higher Education Cost Adjustment)



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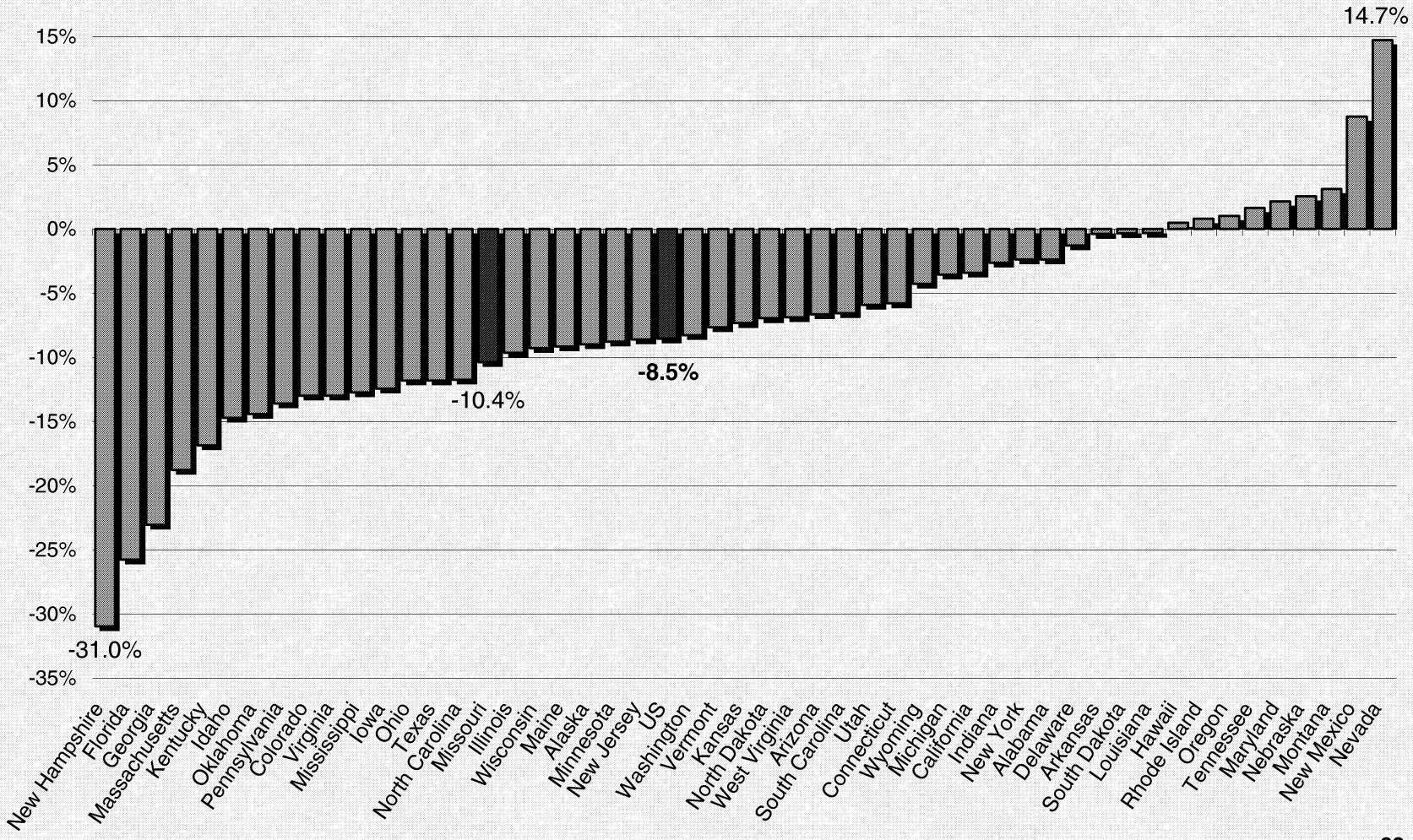
Missouri in context: Revenue Decline

Total Educational Revenues per FTE,
Percent Change by State, Fiscal 2001-2004



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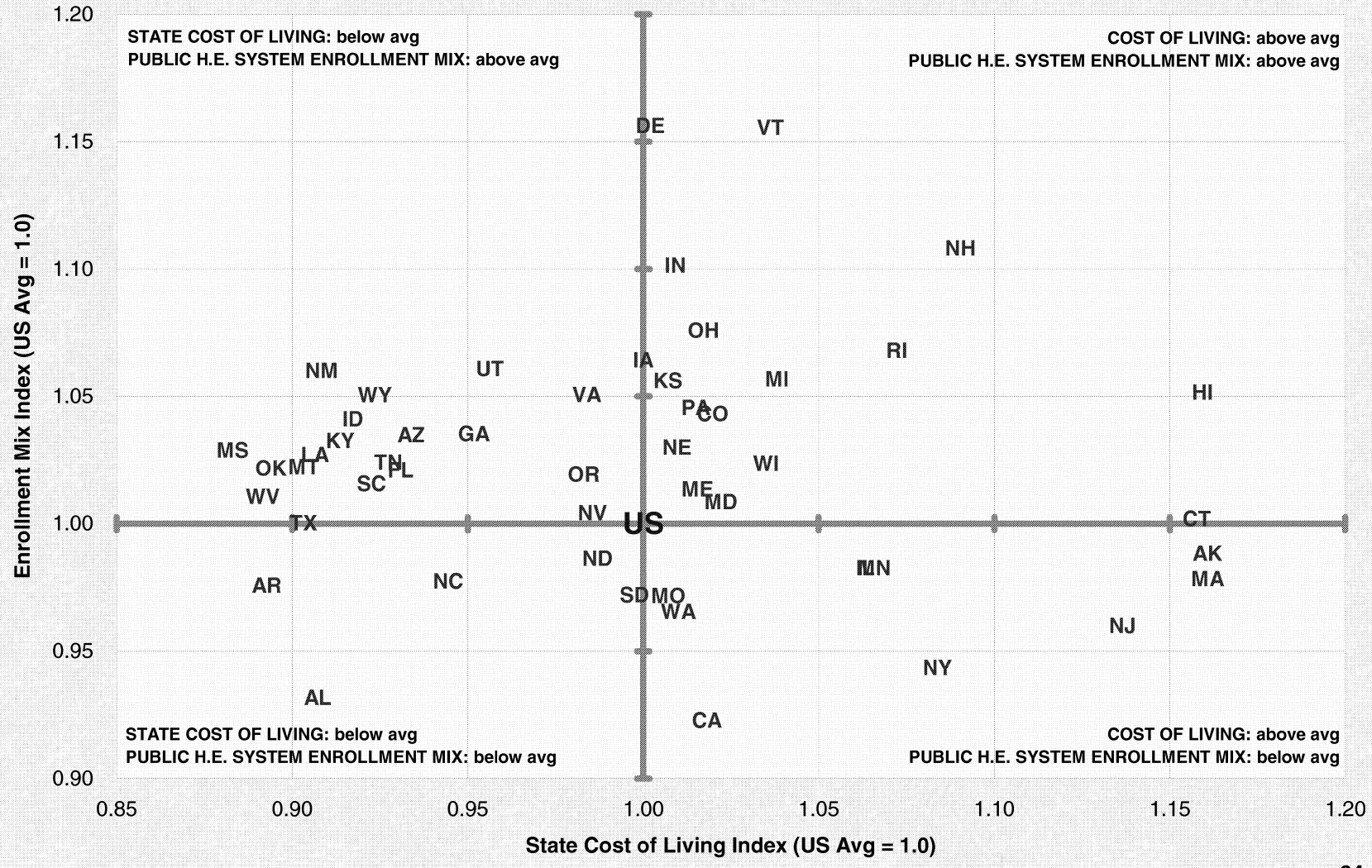
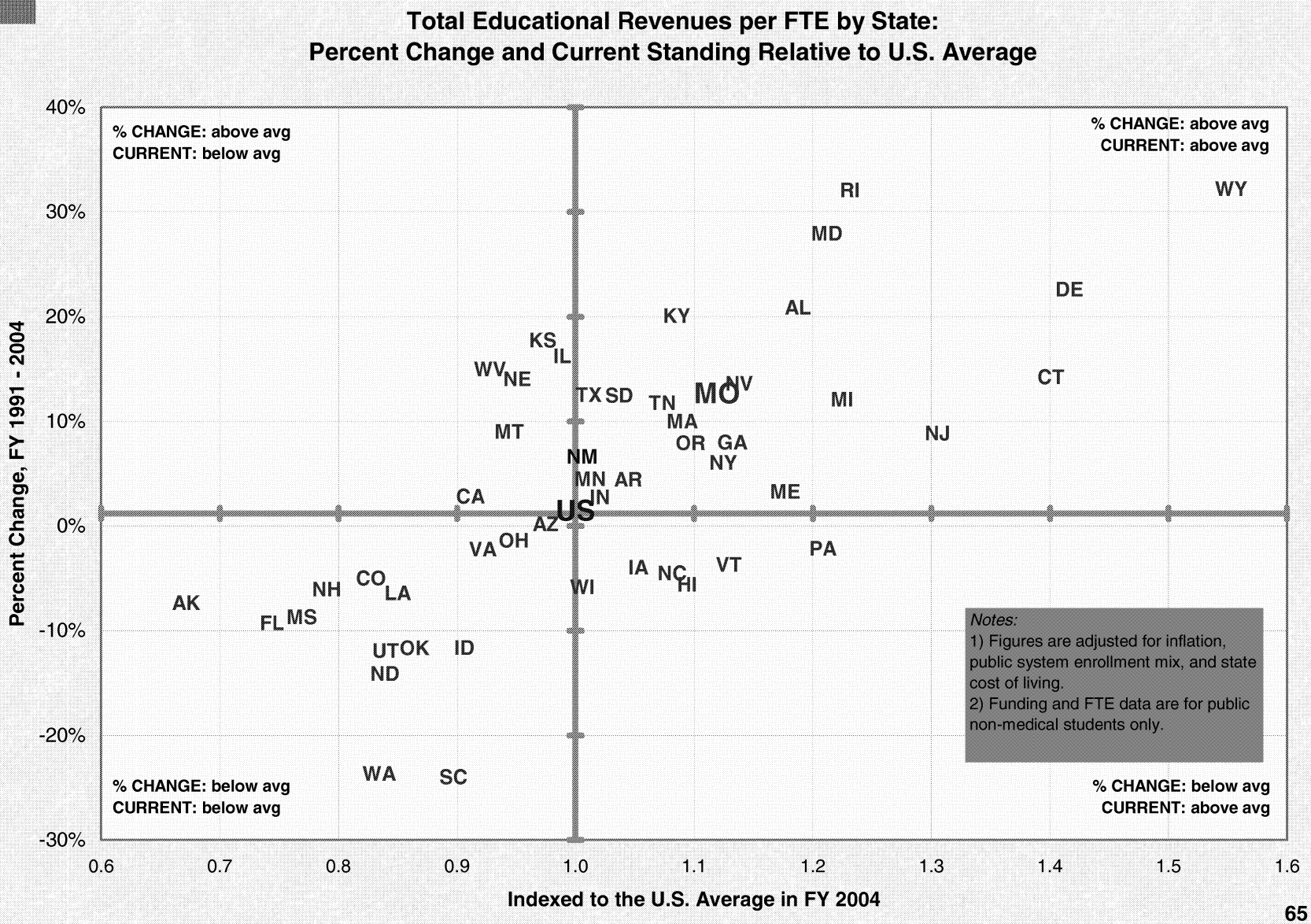
Cost of Living and Enrollment Mix

State Cost of Living and Public Higher Education System Enrollment Mix Index Values, 2004

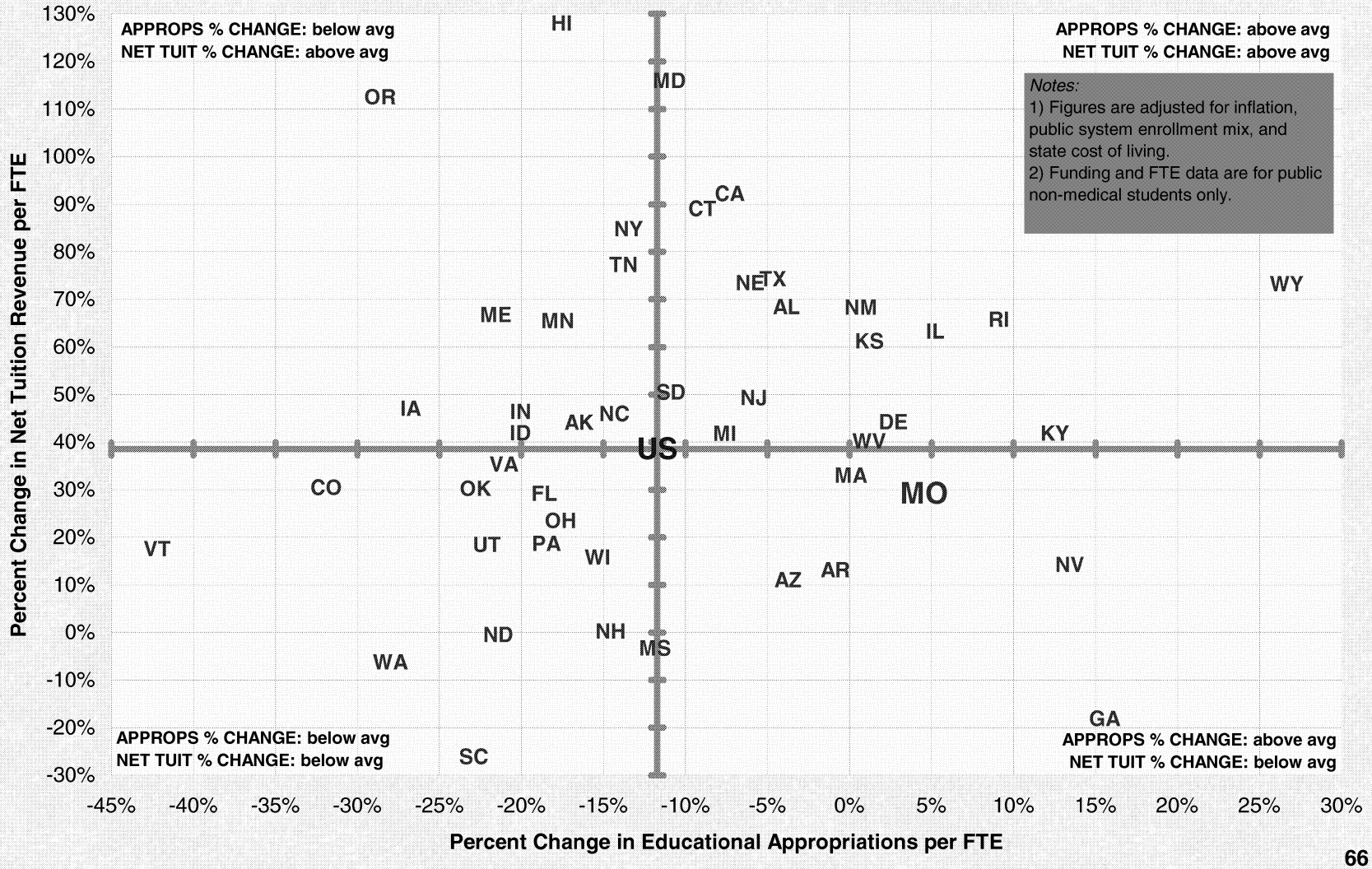


Missouri in context: Revenue/FTE



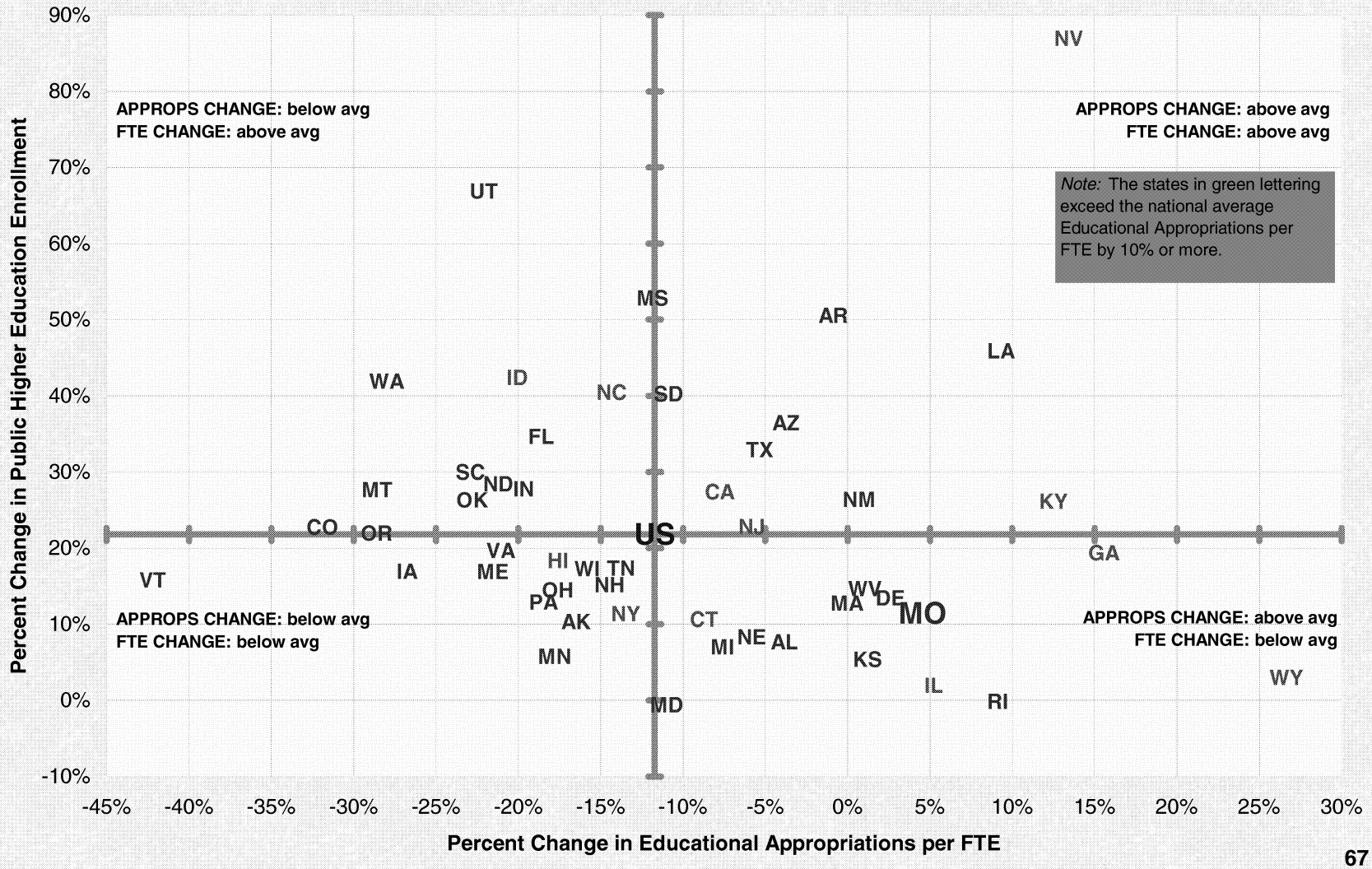
Missouri in context: Appro. & Tuition

Percent Change by State in Educational Appropriations and Net Tuition Revenue per FTE, Fiscal 1991 - 2004

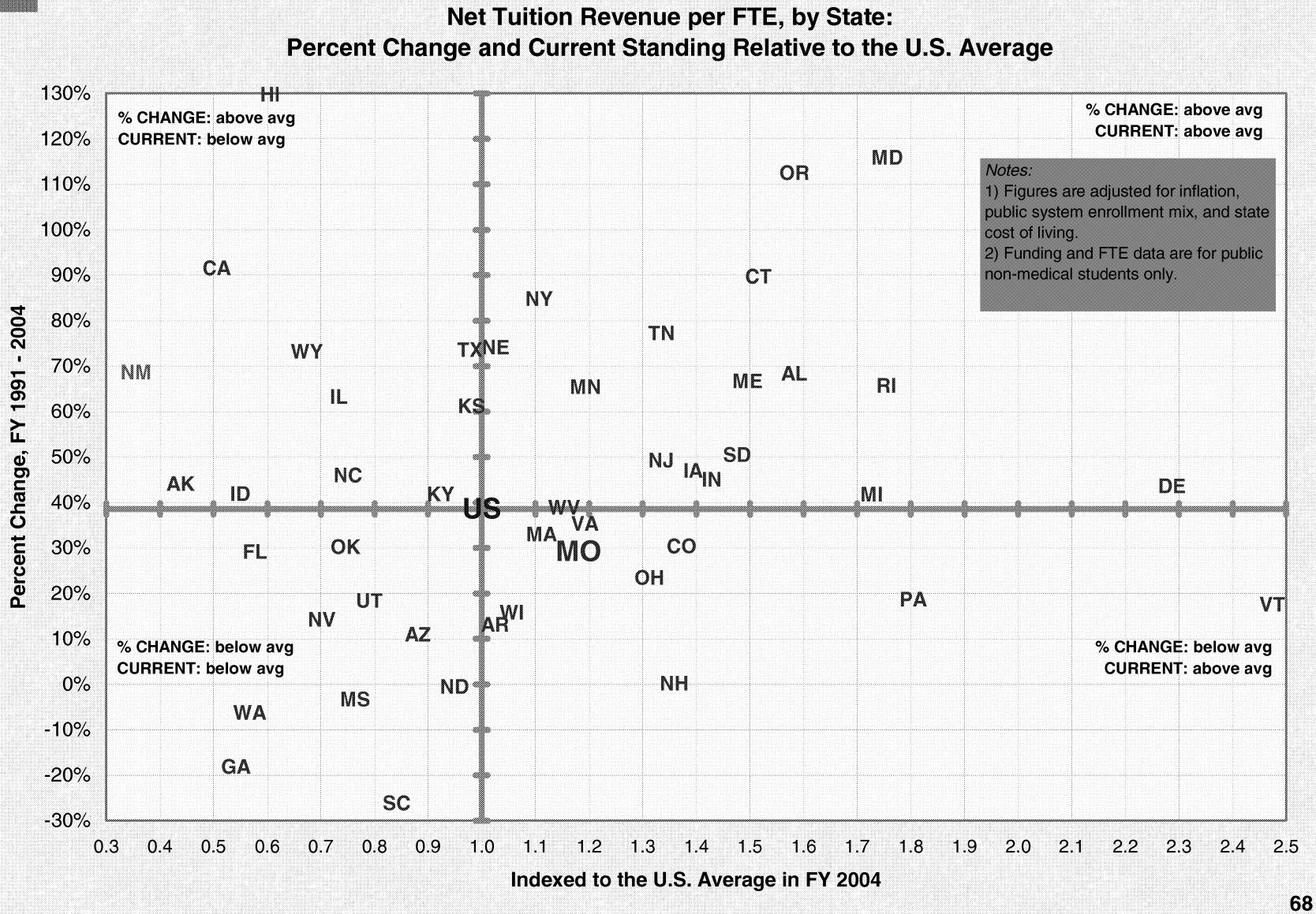


Missouri in context: Appro. & FTE

Percent Change by State in Enrollment and in Educational Appropriations per FTE, Fiscal 1991-2004

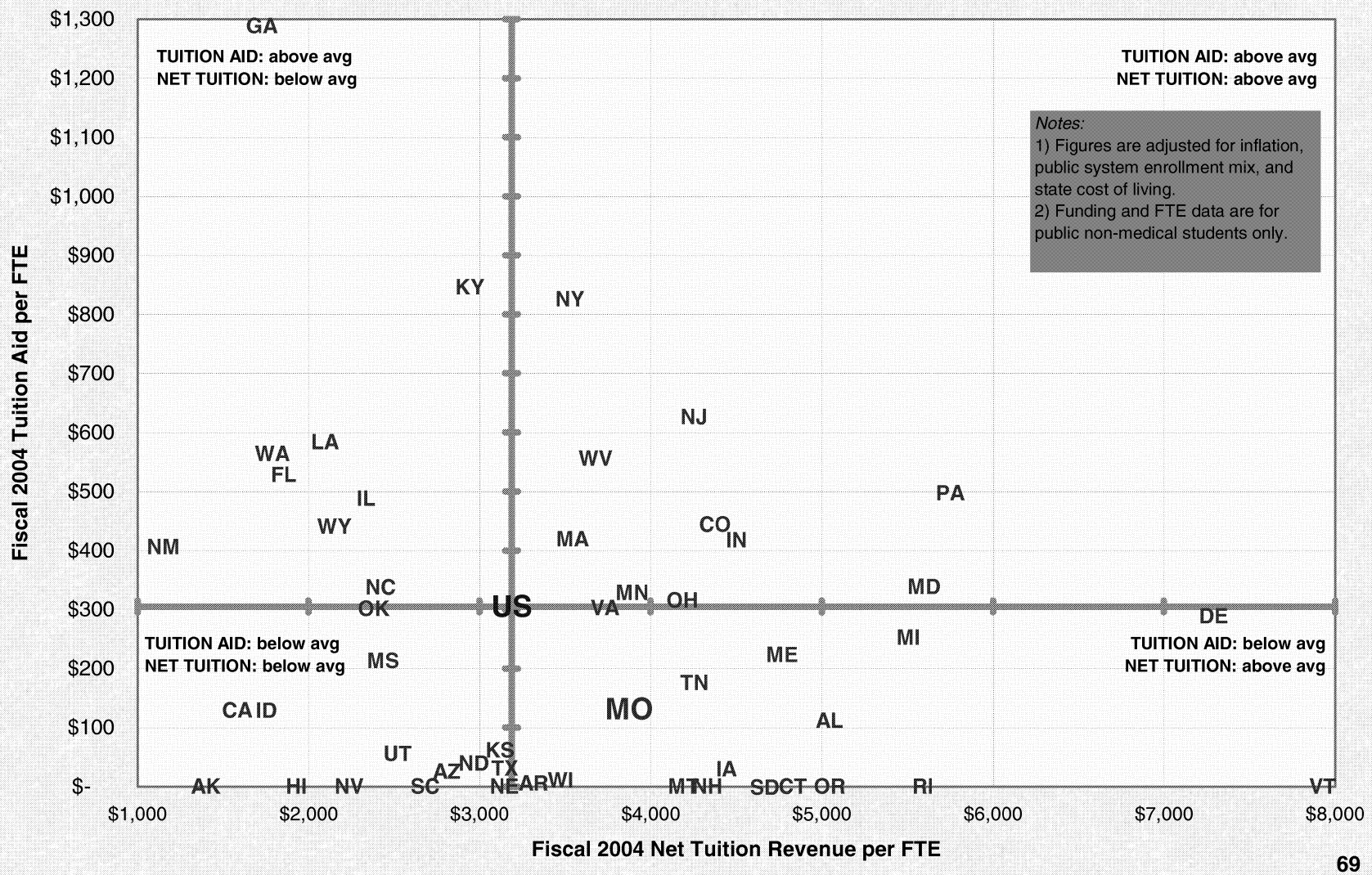


Missouri in context: Tuition



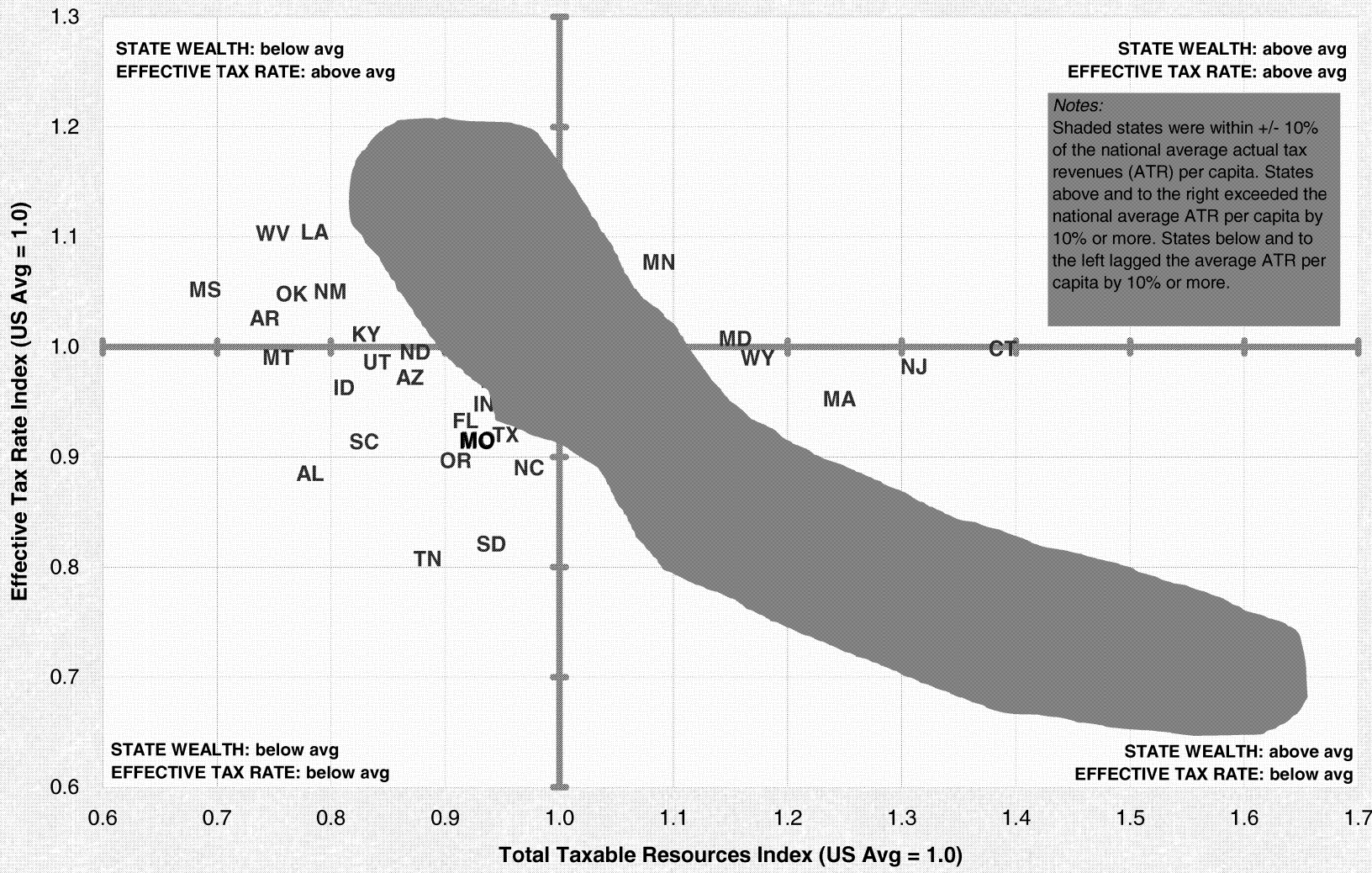
Missouri in context: Tuition & Aid

Net Tuition Revenue per FTE and State-Funded Tuition Aid per FTE by State, Fiscal 2004



Missouri in context: Wealth and Tax

Taxable Resources and Effective Tax Rate Indexed to the U.S. Average, by State, 2002



Right Questions about Money

- What do we need from higher education?
- What can we do better with the money we have?
- What do we need that justifies additional funds?

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SHEEO

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SHEEO

Document 6:
Core Indicators of Effectiveness provided by Dr. Terry Barnes
Publication date of October 20, 2005

MISSOURI COMMUNITY COLLEGES
President and Chancellors Council
Terry L. Barnes, President

Presents to

Representative Carl Bearden, Chair
House Interim Committee on Student Based Funding Reform Models
In Partial Response to Features of HB 742

CORE INDICATORS OF EFFECTIVENESS

October 20, 2005

The Presidents and Chancellors Council of Missouri Community Colleges believes that additional future state appropriations to the two-year public community colleges could be accomplished by performance contracting or agreements with the Department of Higher Education (DHE). Performance indicators used to drive future funding or measure and reward sector effectiveness should be developed through statewide conversations, and reflect the unique mission of our institutions.

Accordingly, once funding levels from the General Assembly reach FY 2002 amounts, the indicators detailed in this document are based upon the following assumptions:

1. Performance funding indicators should be sector- and mission-driven.

2. All data and subsequent analysis used for the measurement of statewide indicators must be collected and managed under the coordination of DHE.

3. Performance funding indicators should be directly related to student learning and core outcome measures.

4. After core budgets are met, additional funds should be made available through performance contracts based on improving access, quality, efficiency, and addressing state-wide higher education needs.

5. Although the indicators should be common among the community colleges across the State, each community college must be allowed to set its own "performance target" within an indicator. Such a strategy will allow for institutional flexibility and create an environment in which each community college can maximize its performance without competing against the other colleges for statewide funds.

6. Any changes, revisions or additions to these indicators must be reviewed and discussed by the presidents and chancellors before adoption by the sector through the Department of Higher Education.

The proposed performance indicators below are organized according to the role and scope of Missouri community colleges. While community colleges often use additional measures to assess their own effectiveness – statewide performance funding indicators should utilize consistent data among and between each college. The indicators listed reflect sound public policy, relevant statutory responsibilities, and the philosophical mission of Missouri community colleges.

1. **Transfer Preparation**

Are community college students academically prepared for transfer?

Performance Indicator:

Identify the number of students who transfer after completing 12 credit house of college-level work at their community college (excludes developmental courses) and determine the percentage with a GPA of 2.0 or higher at their transfer college one year after transferring. (*Within this category, further analysis related to the subset of students who complete the 45 general education core may be evaluated.)*

2. **Career/Technical Preparation**

Do community college career/technical education students find employment in, or a related field?

Performance Indicator:

Identify the percentage of career/technical graduates who fall into one or more of the following categories within 180 days of graduation, including:

- Employed in a related field;
- Continuing their education; or
- Serving in the military.

3. **Academic Performance**

Are community college students acquiring the necessary general education knowledge/skills?

Performance Indicators:

- Identify the percentage of students who score at or above an institutionally developed target on the college's general education assessment.

- Identify the percentage of graduates who successfully pass licensure/accrediting examinations.

4. Preparation for College Work

Do community college students who enroll with academic deficiencies in mathematics, English and/or Reading achieve college-level outcomes?

Performance Indicators:

- Determine the percentage of developmental students from an entering cohort who complete a degree/certificate, or complete the 45-hour general education core with a total GPA of 2.0 or higher, or successfully transfer within a five-year period.

- Determine the percentage of development students who after completing the last developmental course in a subject area, then complete the first college-level course in that subject area with a "C" or better.

5. Workforce Development

Are area employees and employers satisfied that community college workforce training programs are improving the skills/knowledge of the area's workforce?

Performance Indicator:

If selected and appropriate, this indicator needs to be developed in collaboration with community colleges, employers, and DHE.

6. Access and Affordability

Does the community college provide appropriate educational access and opportunities to residents of its service area?

Performance Indicator:

If selected and appropriate, this indicator needs to be developed in collaboration with the community colleges and DHE.

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Document 7:
MO Independent Colleges and Universities provided by Dr. Pat Taylor and Rose Windmiller
Publication date of November 4, 2005

Missouri Independent Colleges and Universities November 4, 2005

Pat Taylor, President
Southwest Baptist University

Rose Windmiller, Director of State Relations
& Local Governmental Affairs
Washington University St. Louis

1

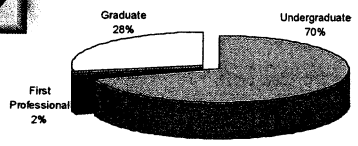
Our Students

- Independent Colleges and Universities enrolled 116,206 students, or 47.5%, of all students attending baccalaureate and higher degree granting institutions in Missouri in 2004.

Source: Missouri Department of Higher Education 2004-2005 Statistical Summary Tables 49 & 50 (Total Headcount)

2

2004 Total Headcount Enrollment in Missouri Independent Colleges and Universities



Source: Missouri Department of Higher Education 2004-2005 Statistical Summary, Table 30

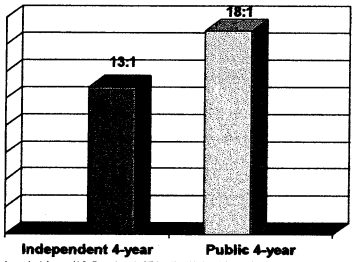
3

Independent Benefits

- Education at an independent institution provides a choice that often best serves a diverse student's interests and needs

4

Student-to-Faculty Ratios are Lower at Independent Colleges and Universities

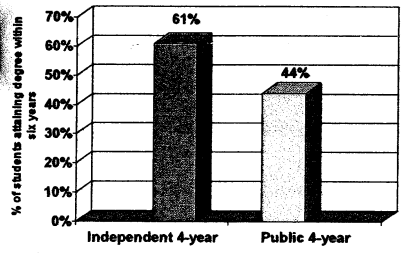


Source for Independent 4-year: U.S. Department of Education, National Center for Education Statistics, Higher Education General Information Survey (HEGIS) and Integrated Postsecondary Education Data System (IPEDS), "Fall Staff" surveys. Instruction and research assistants are excluded.

Source for Public 4-year: Missouri Department of Higher Education 2004-2005 Statistical Summary, Table 87

5

First-Generation Students Succeed at Independent Colleges and Universities



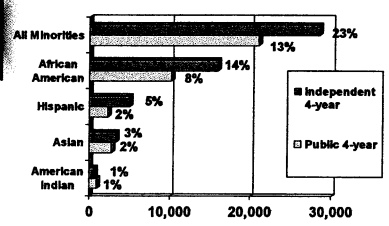
Source: U.S. Department of Education, National Center for Education Statistics, 1995-96 Beginning Postsecondary Students Longitudinal Study, Second Follow-up (BPS:96/01); Analysis by the National Association of Independent Colleges and Universities. Note: First-generation student is defined as one whose parents' highest education level is a high school diploma or less.

6

Access and Participation

7

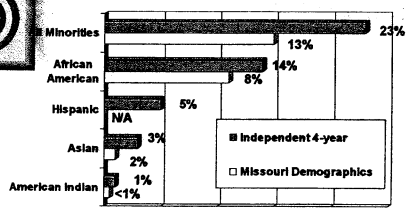
Independent Colleges & Universities Educate Students from Diverse Backgrounds



Source: Missouri Department of Higher Education 2004-2005 Statistical Summary Tables 55 &56 (Total Headcount)

8

Ethnic Composite at Independent Institutions Compared to Missouri's General Population

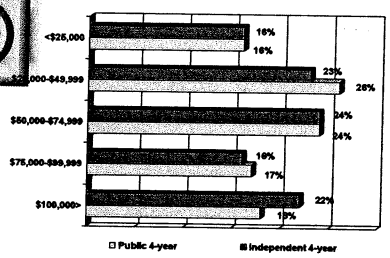


ICUM Source: Missouri Department of Higher Education 2004-2005 Statistical Summary, Table 56

MO Demographic Source: National Center for Education Statistics, State Profiles Demographics

9

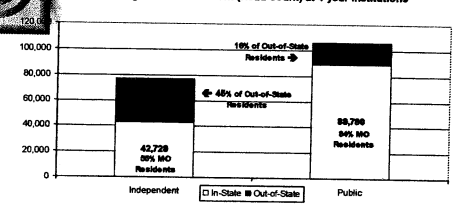
Independent Colleges & Universities Educate Students from All Family Incomes



Source: U.S. Department of Education, National Center for Education Statistics, NPSAS: 1999-2000. Analysis by the National Association of Independent Colleges and Universities.

10

Student Residency



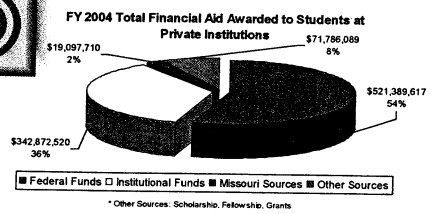
Source: Missouri Department of Higher Education 2004-2005 Statistical Summary, Tables 77 & 78

11

Affordability

12

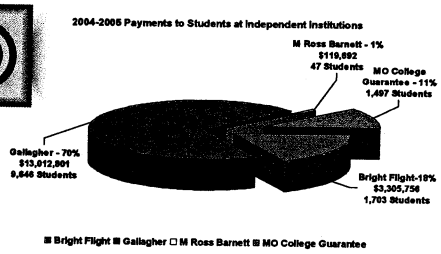
Independent Institution Funding Sources



Source: Missouri Department of Higher Education 2004-2005 Statistical Summary, Table 17

13

Missouri Grants and Scholarship Programs



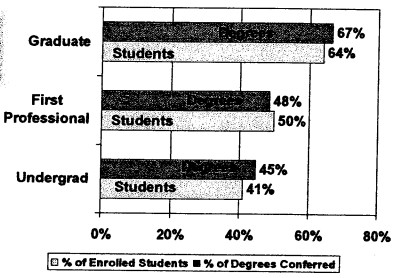
Source: Missouri Department of Higher Education 2004-2005 Statistical Summary, Table 27

14

Success Measures

15

2004 Degrees Conferred by Missouri Independent Colleges and Universities



Source: Missouri Department of Higher Education 2004-2005 Statistical Summary, Tables 29 & 30 (FTE)

16

Success Factors

- The current mix of state, federal, and institutional financial aid offers low-income students a striking first step up the socioeconomic ladder

Source: The Minnesota Private College Research Foundation, Financing Higher Education Today, May 2005

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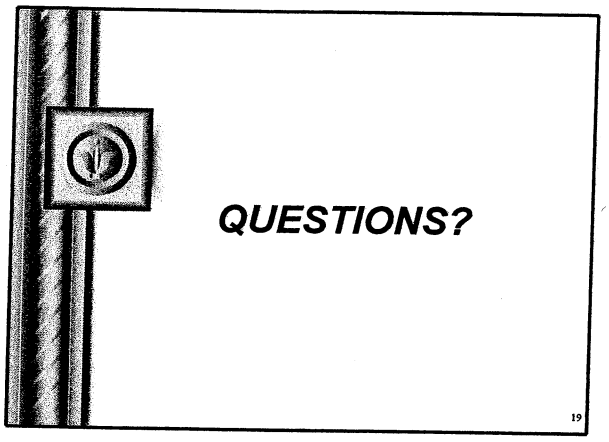
Success Measures

- Students at independent colleges and universities come from differing family financial situations, but complete their degrees in the same amount of time, on average, and after graduation report nearly identical rates of:
  - Employment
  - Job satisfaction
  - Graduate/professional school enrollment
  - Living independently from their parents

Source: The Minnesota Private College Research Foundation, Financing Higher Education Today, May 2005

18


QUESTIONS?
19


Missouri Independent
Colleges and Universities
November 4, 2005
Pat Taylor, President
Southwest Baptist University
Rose Windmiller, Director of State Relations
& Local Governmental Affairs
Washington University St. Louis
20

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Document 8:
Presentation to the Interim Committee on A Plus School Funding Model by Jocelyn Strand
Provided on November 4, 2005

Presentation to the Interim Committee on Student-Based Higher Education Funding Reform Models

Good Morning. Originally passed as part of The Outstanding Schools Act of 1993, the primary goal of the A+ Schools Program is to promote 9-12 school improvement, assuring that all students graduating from Missouri high schools are well prepared to pursue advanced education and/or high wage jobs. During the first years of the program, high schools were provided grants to assist them in reducing the drop-out rate, raising academic standards and expectations, eliminating "general-track" courses and developing collaborative relationships with post-secondary institutions and businesses within the community.

Beginning in fiscal year 2002, funds appropriated for the A+ program have been used specifically for the financial incentive program as the number of designated high schools and eligible students continues to grow. At the beginning of the current school year, there are 219 designated high schools with five schools seeking designation during the 2005-06 school year. There are currently more than 38,000 students eligible to use the financial incentive. During FY05, 9,358 accessed the financial incentive.

I've been asked to speak with you specifically about the processes used to make payments to eligible post-secondary institutions on behalf of students who have successfully met the A+ program requirements at the secondary level.

In order for a student to be eligible for the A+ financial incentive, they must have: attended an A+ designated high school for three (3) consecutive years prior to graduation; graduated from high school with an overall grade point average of 2.5 points or higher on a 4.0 scale; have attained a 95% attendance record overall for grades 9-12; performed 50 hours of unpaid tutoring and/or mentoring; maintained a record of good citizenship and avoided the use of drugs and/or alcohol. Additionally, the student must have made a good faith effort to secure all federal postsecondary student financial assistance funds which do not require repayment. As with other

state-supported scholarships, programs for financial assistance for post-secondary education or loans insured by state agency, A+ students are not eligible for the financial incentive if they have not registered under the United States Military Selective Service Act.

Once a student has successfully completed those specific program requirements and met the requirements necessary for graduating from a designated A+ high school, they are eligible to receive the financial incentive. At the end of the academic year, designated A+ high schools submit student information to the Department of Elementary and Secondary Education via diskette for addition to the eligible student data base. Students graduating at semester may be added to the data base by providing the same information required for spring graduates on district letterhead. Information submitted by designated A+ high schools includes: student last name, student first and middle names, student social security number, whether the student has had accommodations based on ADA, student plans to utilize the financial incentive and whether or not the student has completed the FAFSA (Free Application for Federal Student Aid).

In order for the post-secondary institutions to receive the financial incentive on behalf of eligible students, they complete a two-part process. A budget is submitted to the Department of Elementary and Secondary Education by each eligible post-secondary institution (either public community college or career-technical school). I am providing each of you with a copy of the budget and final cover page. The most critical components of these two documents are the columns headed: credit/clock hour, tuition, fees (these must be general not program specific fees), PELL/SEOG, Restricted Scholarship and Balance. A post-secondary institution can submit all A+ students, including those that are PELL pending during the budget process. However, by the time the final payment is to be submitted all remaining financial aid issues should be resolved or the student will be removed from the payment request by the post-secondary institution. Before the Department of Elementary and Secondary Education makes an A+ financial incentive payment to a community

college or career-technical school , a student's PELL and restricted scholarships must be applied to the tuition and fees.

Post-secondary students are eligible to receive the financial incentive for a period of 4 years after graduation from high school. However, in order to remain eligible, the student must be enrolled full-time and maintain an overall GPA of 2.5 on a 4.0 scale.

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Growth in the A+ Schools Program

School Year	New Grant Applications	Not Funded	1st Year Grant Approved	A+ Designated	Eligible Students
1994-95	78	40	38	0	None
1995-96	50	31	19	0	None
1996-97	64	34	30	36	433
1997-98	72	36	36	54	1855
1998-99	90	80	10	86	4771
1999-00	57	41	16 +18*	122	9379
2000-01	60	39	1 + 20**	138	15148
2001-02	27	27	0	174	21740
2002-03	0	0	0	200	28302
2003-04	0	0	0	214	33888
2004-05	0	0	0	219	38500+
2005-06	0	0	0	Projected: 225	Projected: 40,500

* 18 schools were added to the program in mid-year using the FY99 grant application submitted.
** 20 schools were added to the program in mid-year using FY01 grant application submitted.

Fiscal Year	Appropriation
FY 95	$5,000,000
FY 96	$7,500,000
FY 97	$10,500,000
FY 98	$13,000,000
FY 99	$13,900,000
FY 00	$15,400,000
FY01	$18,200,000
FY02	$19,300,000
FY03	$18,525,000
FY04	$12,563,100 *
FY05	$16, 476,491 includes 3,866,531 supplemental
FY06	$16,386,218

* Appropriation reduced by 5.9 million resulting in elimination of textbook reimbursement.

Positive Impact of the A+ Program

- A+ Schools have lower dropout rates than state average (see chart below).

	99	00	01	02	03	04	05
A+ Schools	4.5	4.3	4.0	3.3	3.3	3.0	3.2
State Average *	4.8	4.5	4.2	3.6	3.3	3.4	3.3

* As submitted to Core Data by Missouri Public Schools

- A+ Schools have higher graduation rates than state average (see chart below).

	99	00	01	02	03	04	05
A+ Schools	80.8	83.5	83.8	85.5	86.5	87.5	87.8
State Average *	78.3	80.1	81.4	82.4	84.4	85.5	85.7

* As submitted to Core Data by Missouri Public Schools

Number of A+ Students Reimbursed by Semesters: (Duplicated Count)								
Fiscal Year	Summer		Fall		Spring		Full Year – Career Tech	
FY 98			291		246		Included in Fall total	
FY 99	73		1057		743		Included in Fall total	
FY 00	211		2218		1673		Included in Fall total	
FY 01	432		3530		2733		Included in Fall total	
FY02	598		5381		3928		Included in Fall total	
FY03	888		6747		5155		Included in Fall total	
FY04	1039		7751 (CC) + 191 (VT)		5805		Included in Fall total	
FY05	A+ - 1100	FA - 67	A+ - 7098	FA- 1073	A+ - 5304	FA - 784	A+- 131	FA – 2

Total A+ paid: 13,633
Total Pell paid: 1,926
Unduplicated Count FY05 – 9,358 (includes students who A+ paid and students who received Pell)

Trend Indicators	1997 HS Graduates	1998 HS Graduates	1999 HS Graduates	2000 HS Graduates	2001 HS Graduates	2002 *** HS Graduates	2003 *** HS Graduates	2004 *** HS Graduates	2005 *** HS Graduates
A+ Eligible Graduates	433**	1422**	2916**	4608	6201	8017	9483	10,149	10878+ *
A+ Graduates who used 1 semester	354**	1060**	2152**	2809	3685	4337	4790	4480	182

* This number includes 39 Mid-Year Graduates who will lose their eligibility on 12/31/2008

A+ Graduates who used 2 semesters				2000	2642	3003	3268	2742	6
A+ Graduates who used 3 semesters				1535	2008	2206	2269	527	0
A+ Graduates who used 4 semesters				1157	1526	1681	1613	36	0
A+ Graduates who used 5 semesters				549	789	788	489	0	0
A+ Graduates who used 6 semesters				213	252	226	72	0	0

** Data as reported by the Department of Higher Education.

*** Data as of August 26, 2005 – students are currently eligible for the financial incentive so the number could change.

Attachment 2

Year of High School Graduation	Number of A+ Eligible High Schools	Number of A+ Eligible High School Graduates	Number Enrolled in 2-year Public Institutions	Number Enrolled in 4-year Public Institutions	Total Number Enrolled in Missouri Public Institutions	Enrollment Status Unknown Following Graduation
1997	26	433	291	41	332	101
1998	54	1,421	797	199	996	425
1999	85	2,910	1,692	413	2,105	805
2000	122	4,607	2,577	770	3,347	1,260
2001	138	6,141	3,271	1,263	4,534	1,607
2002	172	7,967	3,978	1,705	5,683	2,284
2003	199	9,447	4,485	1,965	6,450	2,997
2004	214	10,052	4,746	2,420	7,166	2,886
Total		42,978	21,837	8,776	30,613	12,365

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DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
P.O. BOX 480, JEFFERSON CITY, MISSOURI 65102-0480
A+ SCHOOLS PROGRAM

REQUEST FOR A+ TUITION REIMBURSEMENT – BUDGET

(Refer to the Missouri School Directory)

COLLEGE CODE OR CO/DIST CODE

___ ___ ___ -- ___ ___ ___

FOR DEPARTMENT USE ONLY

APPROVED BY:

DATE APPROVED

A. PROJECT INFORMATION

COLLEGE /VO-TECH SCHOOL DISTRICT

COLLEGE/ VO-TECH SCHOOL NAME

ADDRESS, CITY, STATE, ZIP CODE:

CONTACT PERSON AND TELEPHONE NUMBER:

FISCAL YEAR JUNE 30 _____

PLEASE CHECK ONE OF THE FOLLOWING AND INSERT THE YEAR IN THE APPROPRIATE BLANK

SEMESTER ☐ Summer (Year) _____ ☐ Fall (Year) _____ ☐ Spring (Year) _____ ☐ Full Year Program

Certification:

I hereby certify that the information reported herein is correct to the best of our knowledge and belief Date: _____

CHIEF ADMINISTRATOR'S SIGNATURE

B. PROJECT FINANCIAL DATA

Student Name (LN, FN and MN or initial)	SSN (___-__-____)	High School Graduated From	Cr. Hr /Clock Hr	Program/ Study	Tuition	Fees	PELL/ SEOG	Restricted Scholarships	Balance	Comment	Pending	LS Certificate/ Degree	Fin. Aid Funded
					Total:	Total:	Total:	Total:	Total				

Total Number of Students: _____

Grand Total: $_____

MO 500-2304 (7/04)

DEPARTMENT OF ELEMENTARY AND SECONDARY EDUCATION
P.O. BOX 480, JEFFERSON CITY, MISSOURI 65102-0480
A+ SCHOOLS PROGRAM

REQUEST FOR A+ TUITION REIMBURSEMENT – FINAL PAYMENT

(Refer to the Missouri School Directory)

COLLEGE CODE OR CO/DIST CODE

___ ___ ___ -- ___ ___ ___

FOR DEPARTMENT USE ONLY

APPROVED BY:	DATE APPROVED

A. PROJECT INFORMATION

COLLEGE /VO-TECH SCHOOL DISTRICT	COLLEGE/ VO-TECH SCHOOL NAME

ADDRESS, CITY, STATE, ZIP CODE:

CONTACT PERSON AND TELEPHONE NUMBER:

FISCAL YEAR JUNE 30 _____

PLEASE CHECK ONE OF THE FOLLOWING AND INSERT THE YEAR IN THE APPROPRIATE BLANK

SEMESTER ☐ Summer (Year) _____ ☐ Fall (Year) _____ ☐ Spring (Year) _____ ☐ Full Year Program

Certification:	CHIEF ADMINISTRATOR'S SIGNATURE
I hereby certify that the information reported herein is correct to the best of our knowledge and belief Date: _____	

B. PROJECT FINANCIAL DATA

Student Name (LN, FN and MN or initial)	SSN (___-___-____)	High School Graduated From	Cr. Hr /Clock Hr	Program/ Study	Tuition	Fees	PELL/ SEOG	Restricted Scholarships	Balance	Comment	Pending	LS Certificate/ Degree	Fin. Aid Funded
					Total:	Total:	Total:	Total:	Total				

Total Number of Students: _____

Grand Total: $_____

MO 500-2303 (7/04)

Document 9:
Hearing on Student Financial Aid provided by Dr. Pat Taylor
Publication date of November 4, 2005

Hearings on Student Financial Aid

Southwest Baptist University
November 4, 2005

A+ Schools Program

- "One of the most important education imperative facing the state of Missouri is to reach out to youngsters who are not headed to college and keep them from dropping out of high school....The A+ School Program is designed to accomplish that imperative."
- (Excerpts from a speech on World Class Schools for Missouri by Gov. Mel Carnahan, May 1992)

Evaluation of Missouri's A+ Schools' Program

- Study by Mueser, Lee, and Podgursky at University of Missouri-Columbia
- Findings:
  - Increase in enrollment at 2-year public colleges
  - Decrease in enrollment at 4-year public post-secondary institutions as a result of this program

Evaluation of Missouri's A+ Schools' Program

- Findings (con't)
  - Behavioral changes in two types of students
    - Those who would not have gone to college at all
    - Those who would have gone to other types of post-secondary institutions

2005 Total Enrollment at SBU

- Bolivar Campus—1514 undergraduates
- Satellite Campuses—935 undergraduates
- Dual Credit—252 high school students
- Graduate Programs—739 graduate students

- Total Headcount—3440

Undergraduate Enrollment at SBU Bolivar Campus

- 1999 1609 students
- 2005 1514 students

Students from Missouri

- 1999 73% (1175)
- 2005 69% (1047)

Students from Out of State

- 1999 27% (434)
- 2005 31% (467)

Students from Polk County

Year	Enrollment
1999	336
2000	334
2001	345
2002	280
2003	294
2004	285
2005	174

Polk County Freshmen

- 2003 29 at SBU; 76 at OTC
- 2004 11 at SBU; 90 at OTC
- 2004 Only 51 at all other public 4-year institutions

Cost of Attendance at SBU 2005

- Tuition--$12,450
- Set Costs--$17,200
- Total Cost of Attendance--$20,300

Average Indebtedness of SBU Graduates

- Class of 2004-2005--$11,159

- A+ Schools' Program is intended to encourage students not headed to college to attend college.
- A significant number of students from lower income families often don't plan to attend college.
- Polk County consists of many low income families.

- The number of Polk County students attending SBU has steadily declined since the A+ Schools' Program was implemented.
- The number of Polk County students attending OTC has increased since the A+ Schools' Program was implemented.

Illinois

- Number of students recruited from Illinois
  - 1999 83
  - 2000 80
  - 2001 73
  - 2002 71
  - 2003 56
  - 2004 67
  - 2005 58

Conclusion

- Current method of A+ funding is unfair to 4-year institutions.
- Current method of A+ funding is unfair to Missouri students who desire to attend a 4-year institution during their first two years of college.
- Recommendation: Allow A+ funding to follow the student to any accredited (2-year or 4-year, public or private) Missouri institution.

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Document 10:
Missouri Higher Education: Achievements and Competitiveness for the 21st Century
by Dr. Michael Nietzel
Publication date of November 4, 2005

Missouri Higher Education: Achievements and Competitiveness For the 21st Century

Presentation to the House Interim Committee
On Student-Based Higher Education Funding Reform Models

By
Michael T. Nietzel
President
Missouri State University

November 4, 2005

Presentation Outline

I. An Overview of Achievements and Investments

II. Why College Participation and Completion Matters

III. How Missouri Ranks in Science and Technology

IV. The Kentucky Experience with Higher Education Reform

Measuring Up (2004): The National Report Card on Higher Education

- Looks at higher education for the entire state, not individual colleges and universities.
- Focuses on undergraduate education and training beyond high school.
- Measures "performance," not "effort."
- 2000, 2002, 2004

Source: The National Center for Public Policy and Higher Education

Measuring Up: The Basics

- Six categories of performance.
- Grades benchmarked to "best performing" states.
- Uses nationally comparable data, available from public sources.
- Uses the most recent data available.
  - In general, data have a two-year time lag.
  - Affordability data are one year old.

Source: The National Center for Public Policy and Higher Education

Measuring Up:
Graded Categories

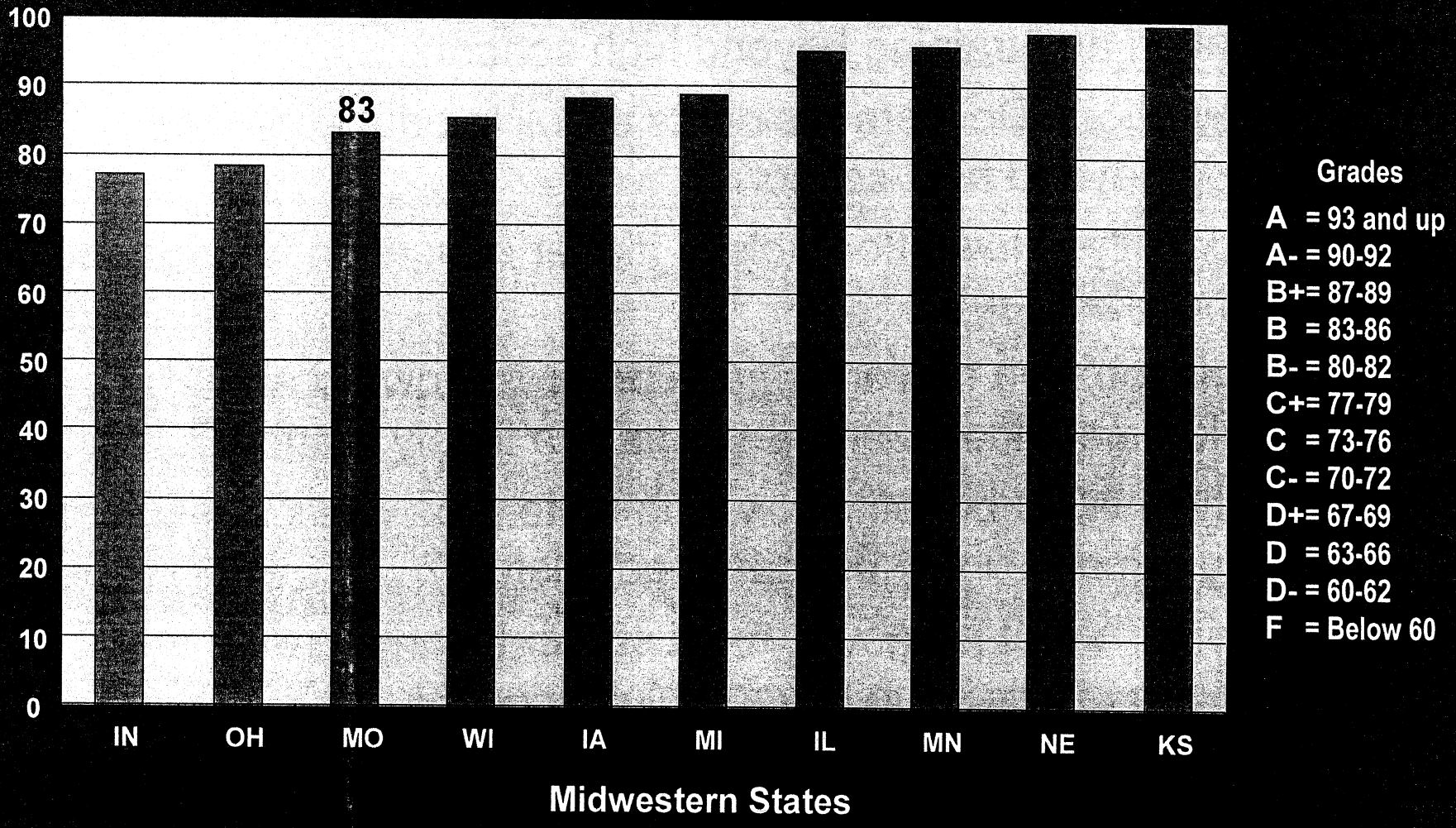
- Preparation: How adequately are students being prepared for education and training beyond high school?
- Participation: Do state residents enroll in education and training beyond high school?
- Affordability: How affordable is higher education for students and their families?
- Completion: Do students make progress toward and complete certificates and degrees in a timely manner?
- Benefits: What benefits does the state receive as a result of having a more highly-educated population?
- Learning: What is known about student learning as a result of education and training beyond high school?

Source: The National Center for Public Policy and Higher Education

MIDWESTERN REGION

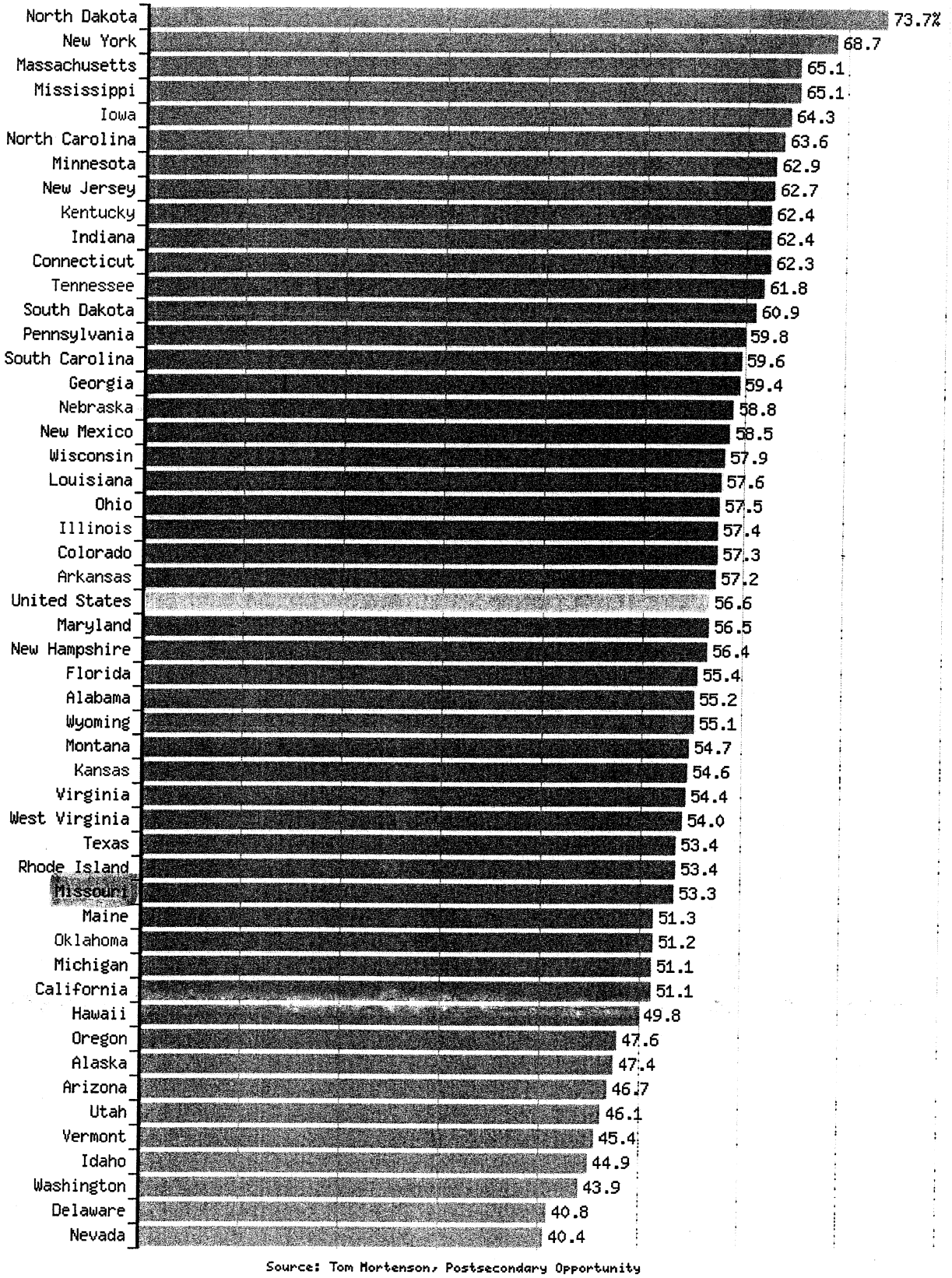
Participation

Missouri's performance in Participation is among the worst in the Midwest.



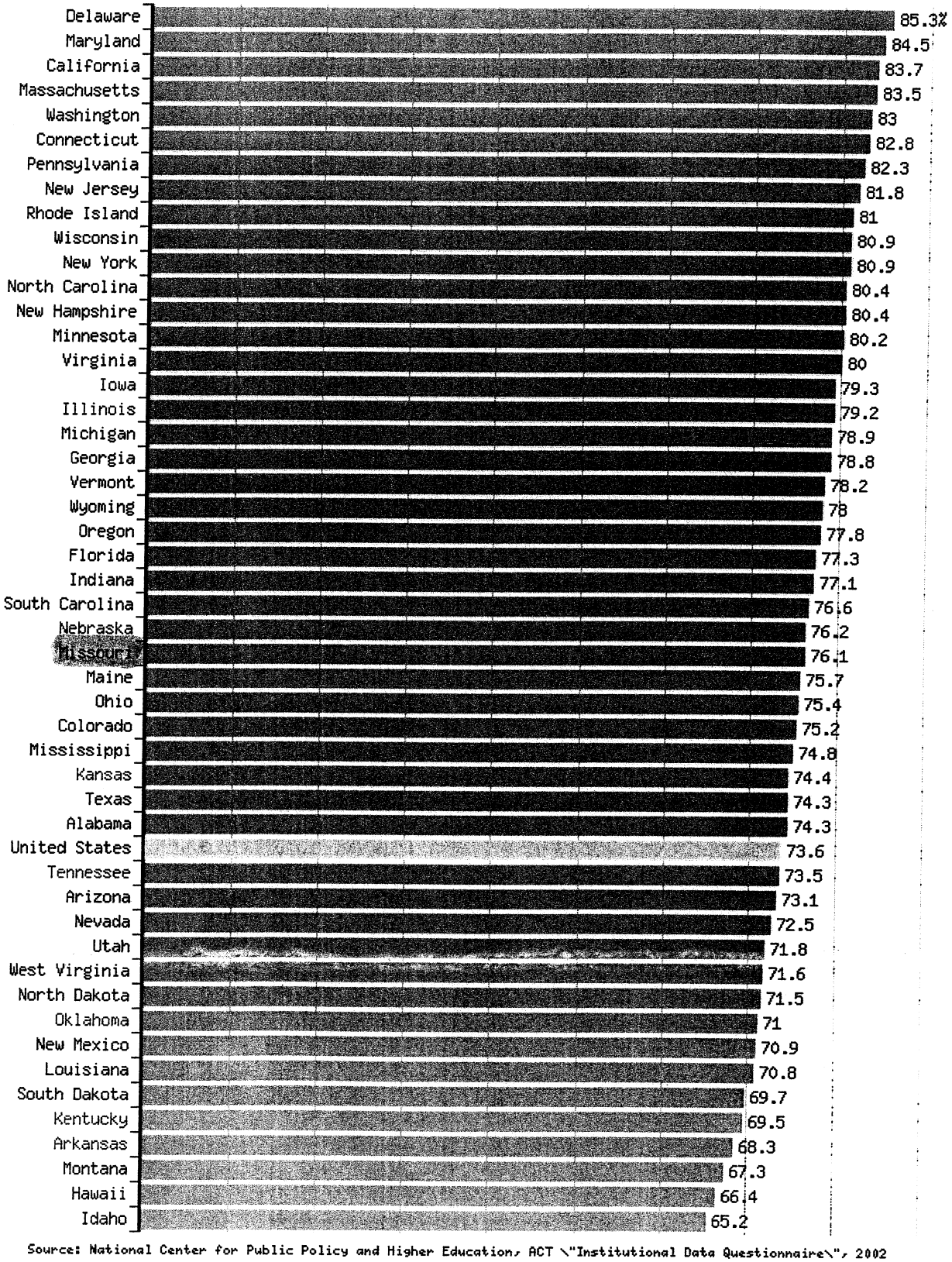
Source: The National Center for Public Policy and Higher Education

Participation: College-Going Rates of High School Graduates - Directly from HS - 2002



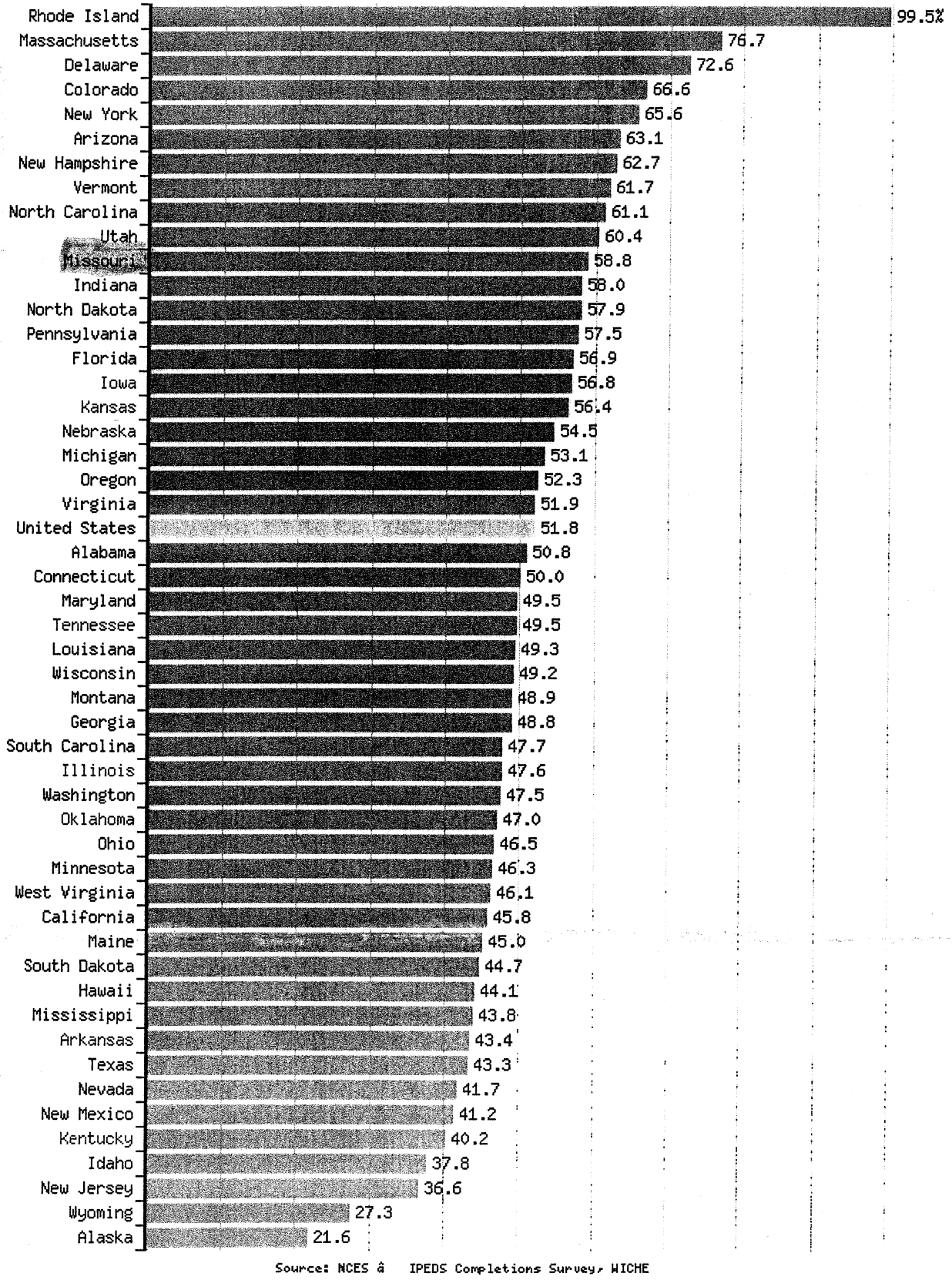
Source: Tom Mortenson, Postsecondary Opportunity

Completion: Retention Rates - First-Time College Freshmen Returning Their Second Year - 2002



Source: National Center for Public Policy and Higher Education, ACT \"Institutional Data Questionnaire\", 2002

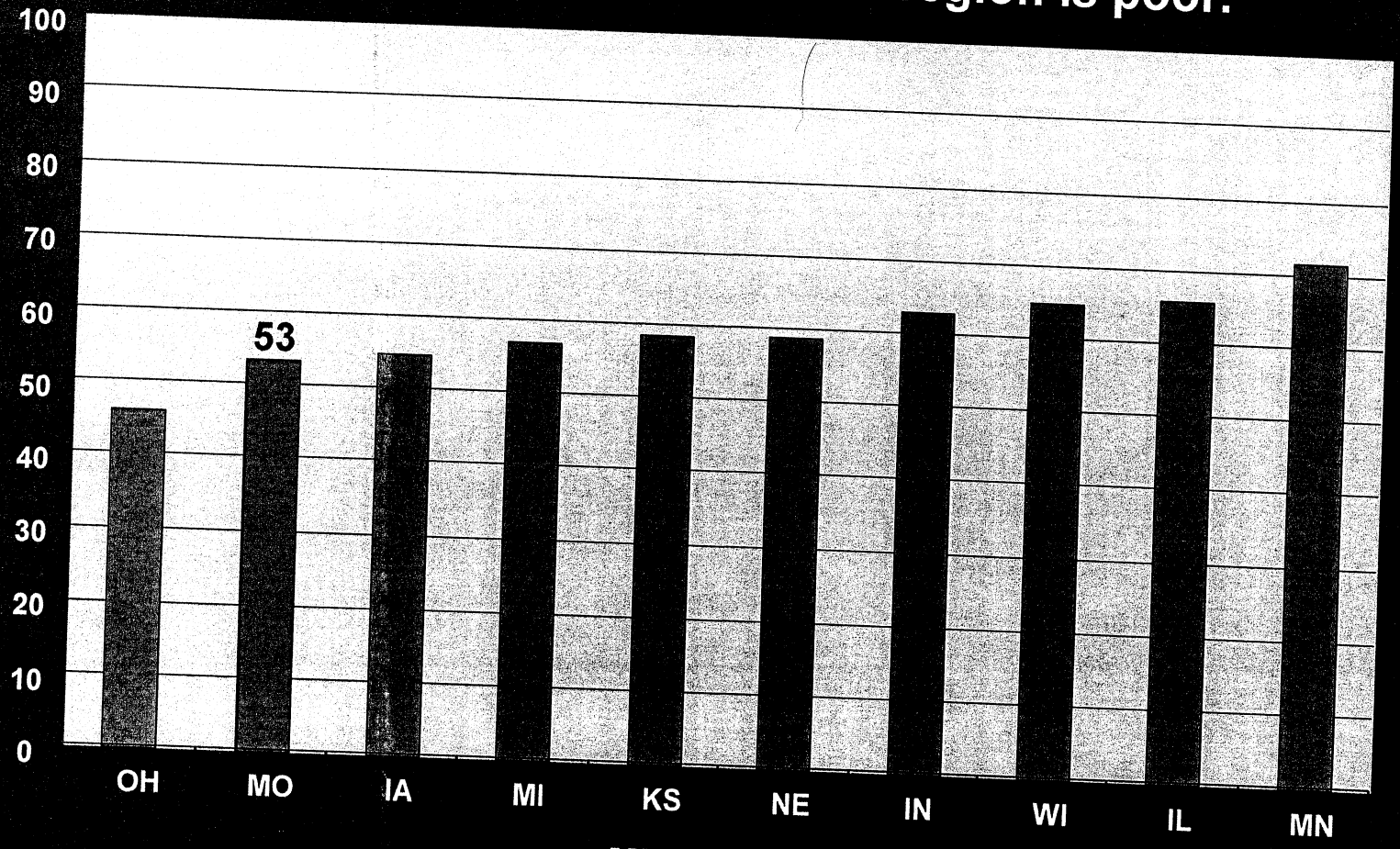
Completion: Bachelor's Degrees Awarded Per 100 HS Graduates 6 Years Earlier - 2003



MIDWESTERN REGION

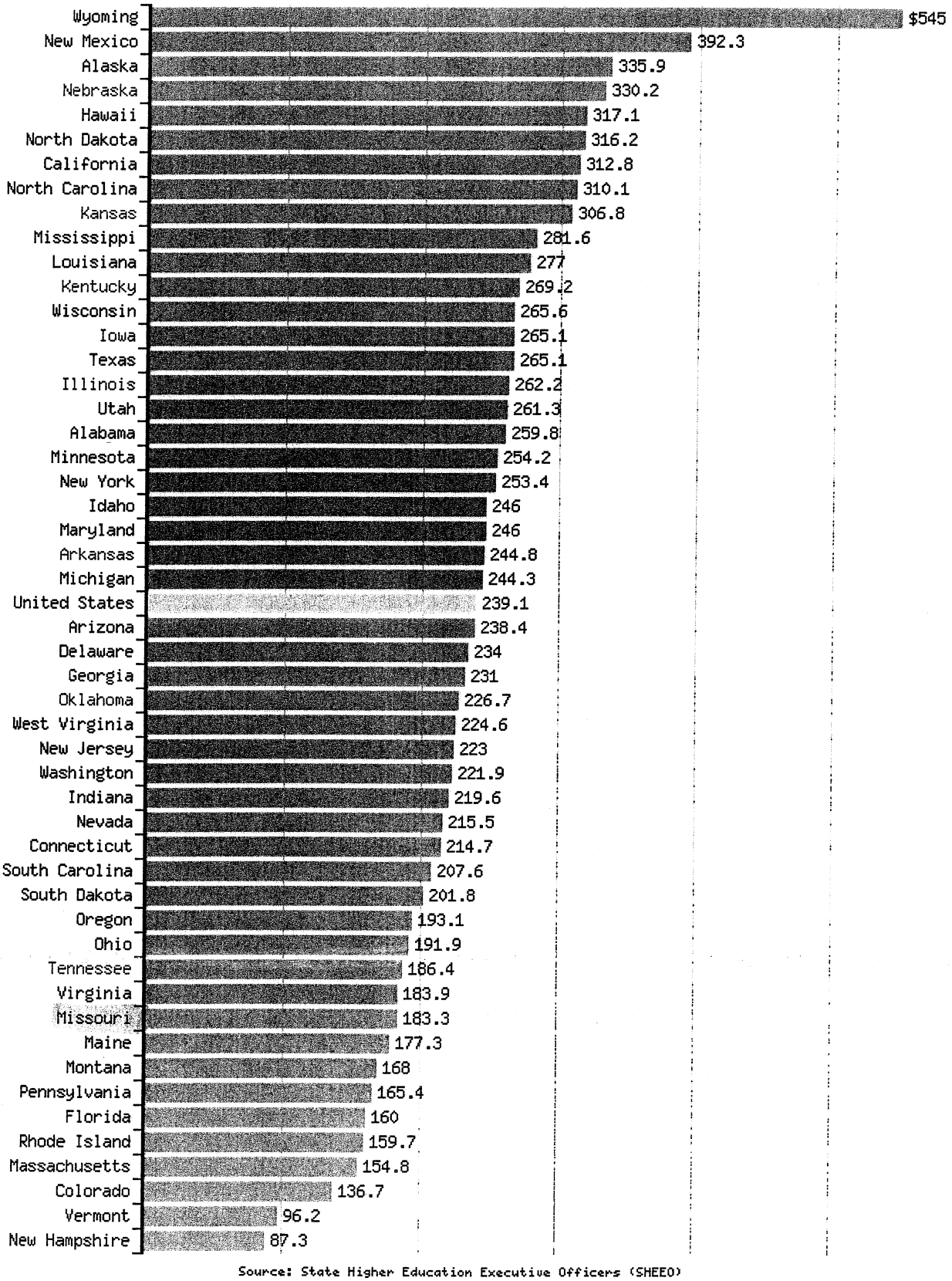
Affordability

Missouri's performance in Affordability is among the worst in the Midwest; although, overall performance in the region is poor.



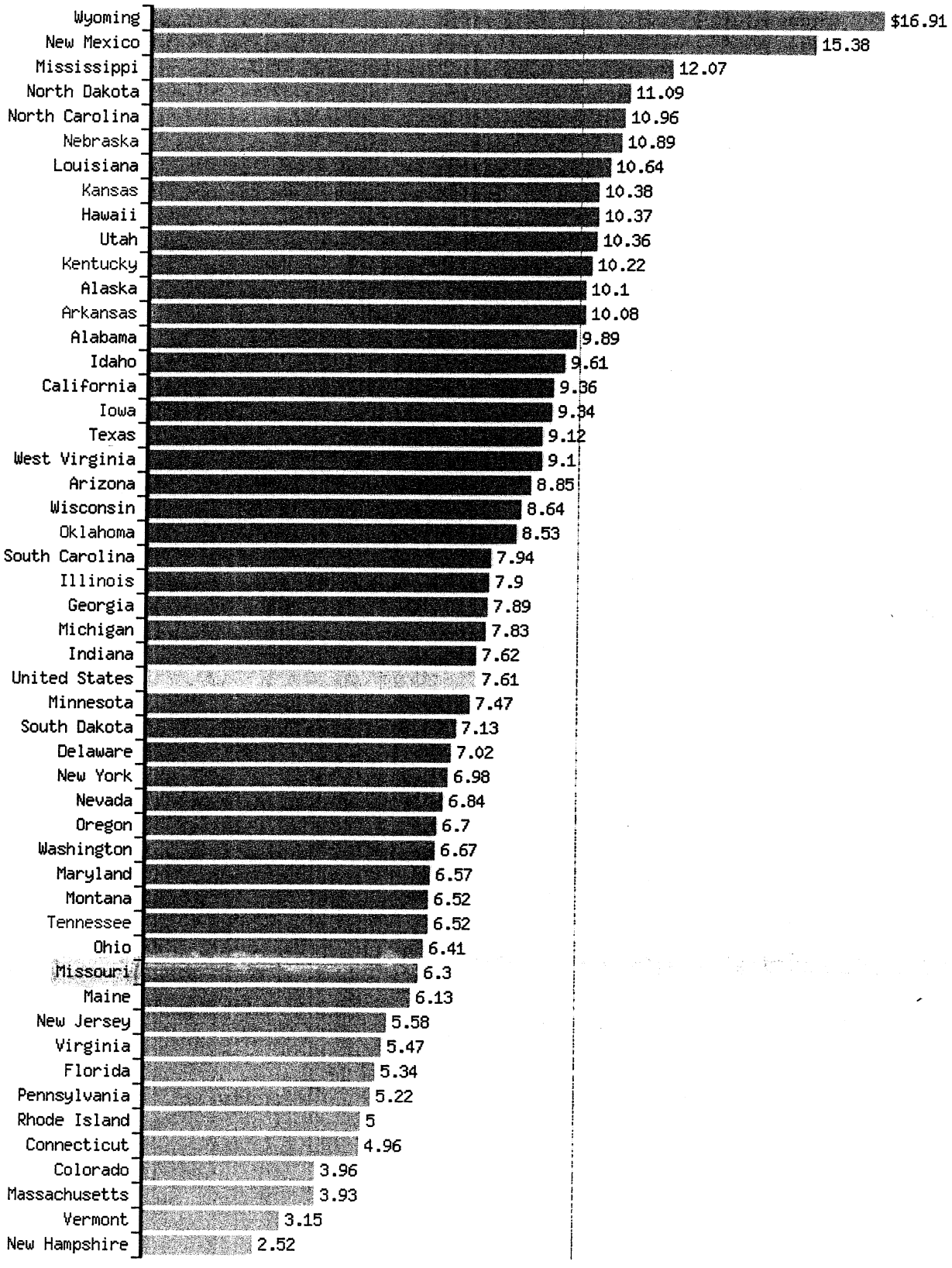
Source: The National Center for Public Policy and Higher Education

Finance: State and Local Support for Higher Education Operating Expenses Per Capita - 2004



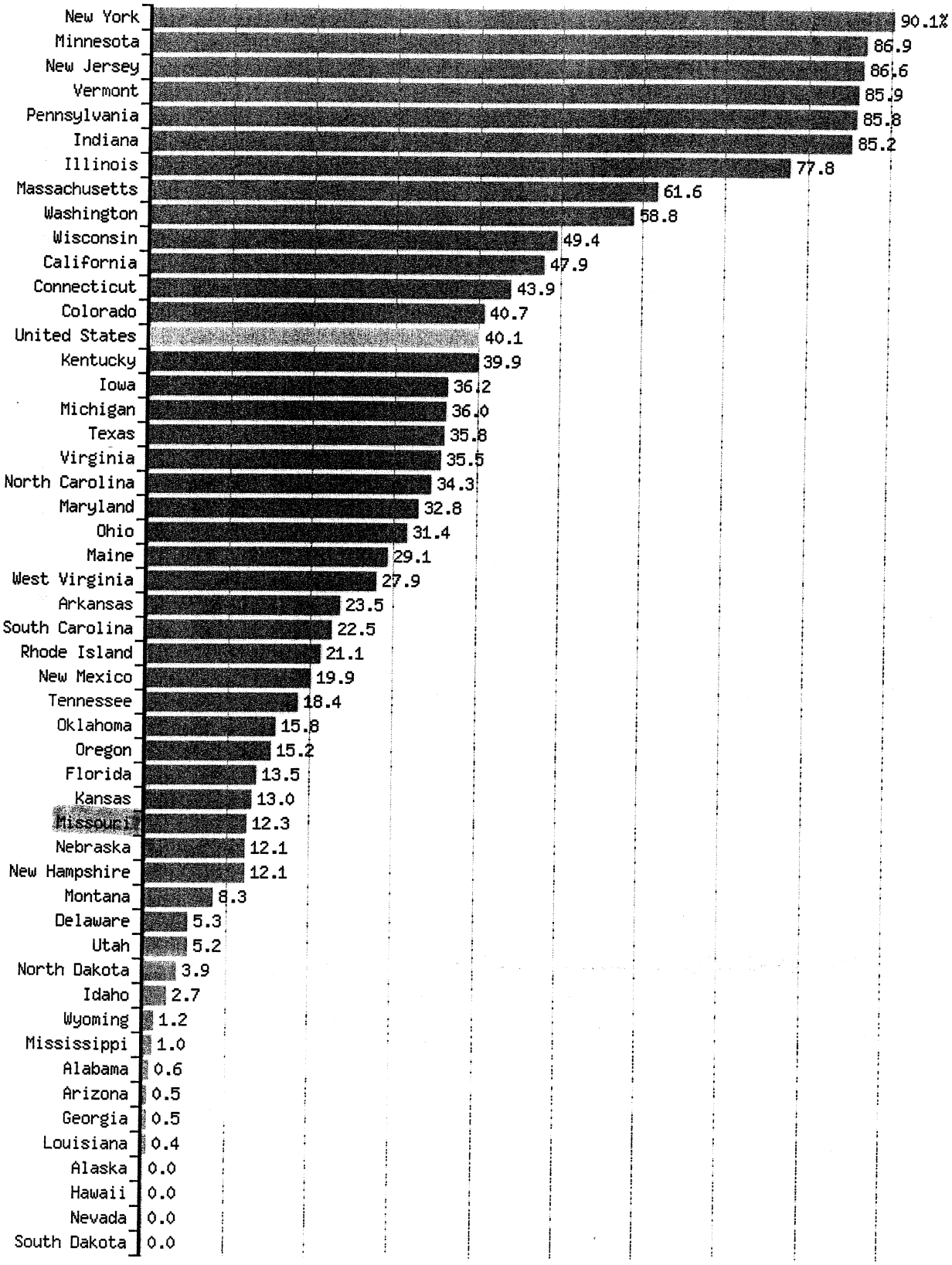
Source: State Higher Education Executive Officers (SHEEO)

Finance: State and Local Support for Higher Education Operating Expenses Per $1,000 of Personal Income - 2004



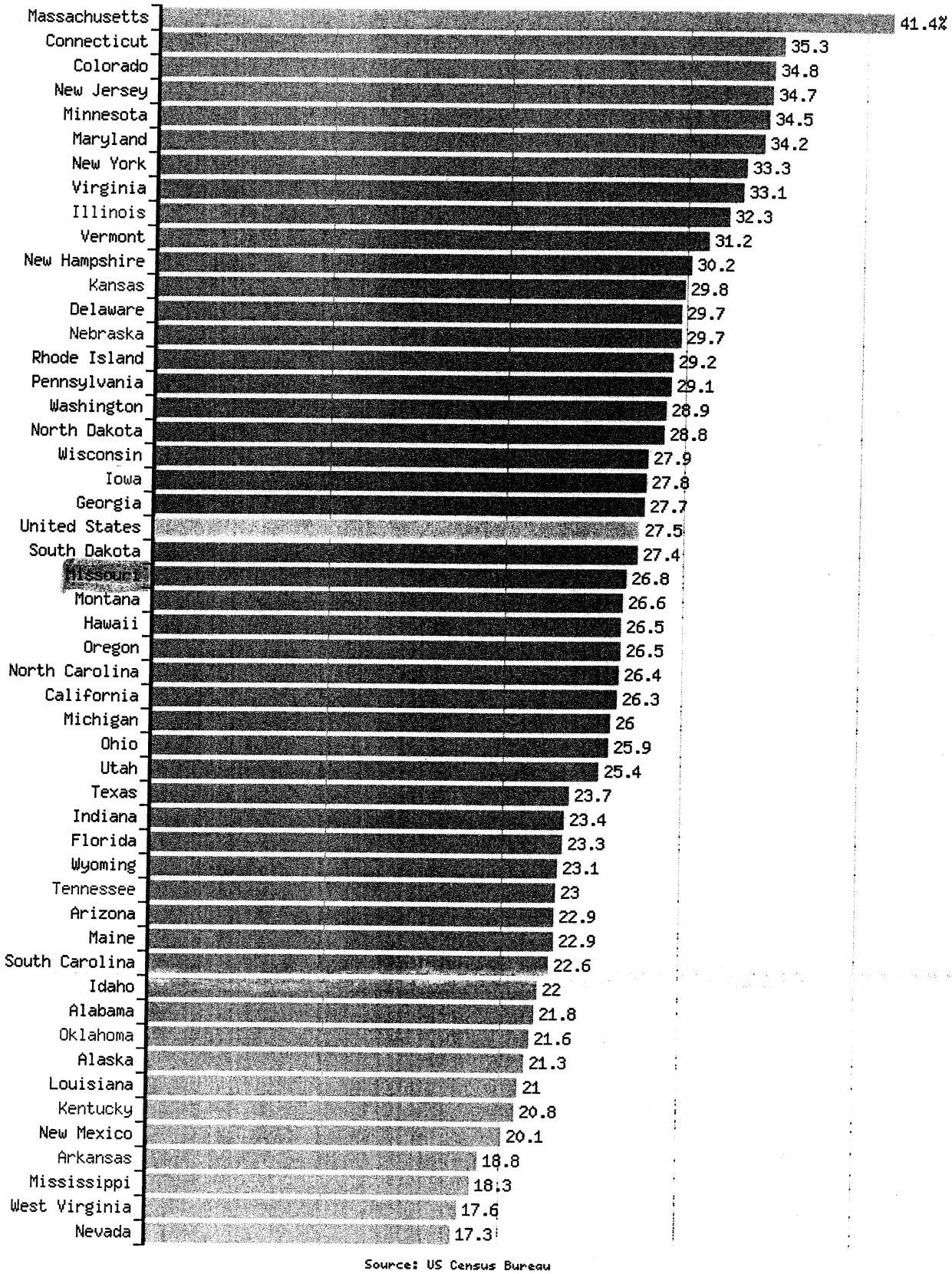
Source: State Higher Education Executive Officers (SHEEO)

Affordability: State Grant Aid Targeted to Low-Income Families as a Percent of Federal Pell Grant Aid - 2003



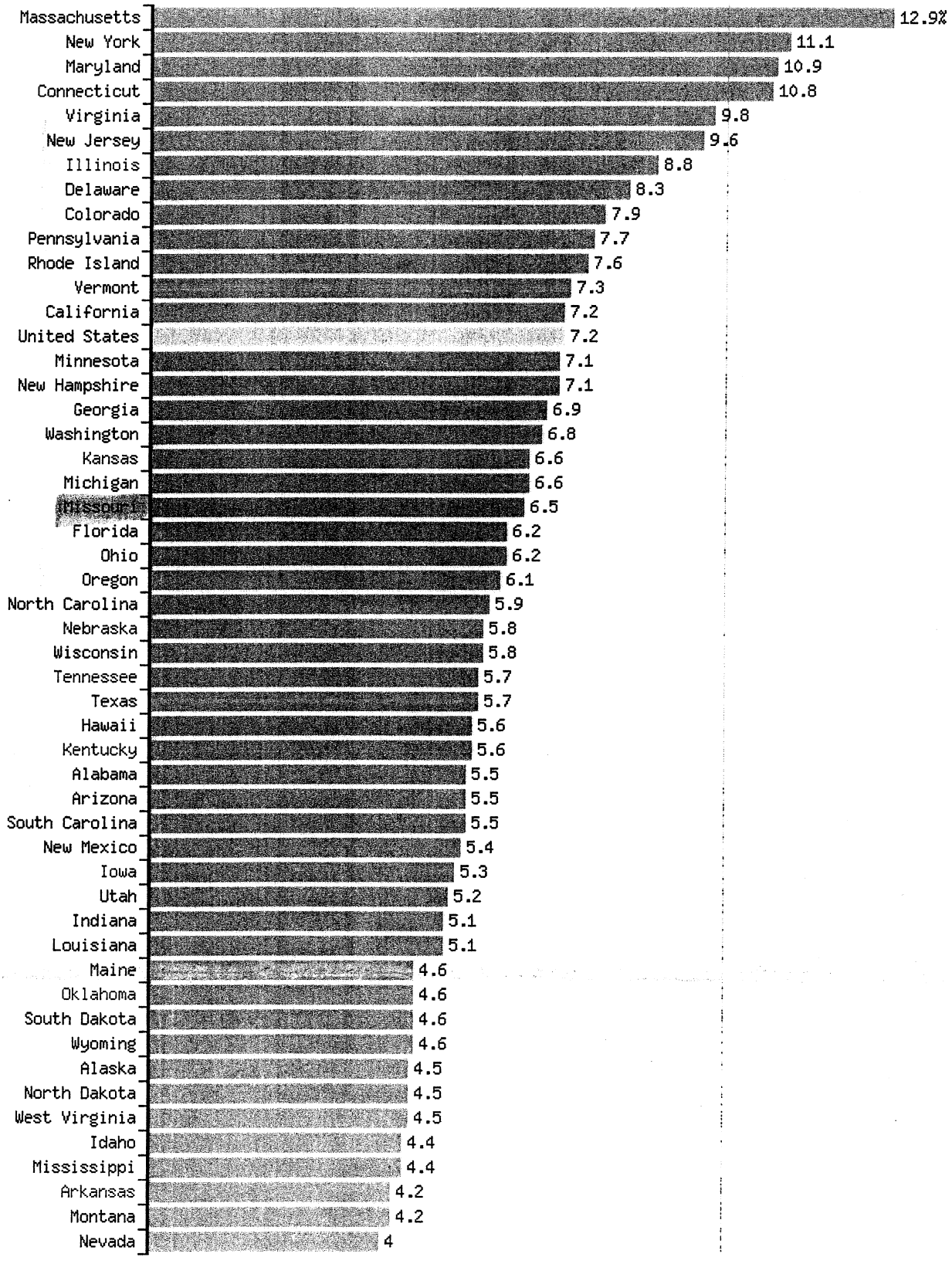
Source: Measuring Up: The State-by-State Report Card for Higher Education, NCHEMS

Benefits: Adults with a Bachelor's Degree or Higher - 2000



Source: US Census Bureau

Benefits: Adults with a Graduate or Professional Degree - 2000



Source: US Census Bureau

Per capita personal income [2/]
(dollars)

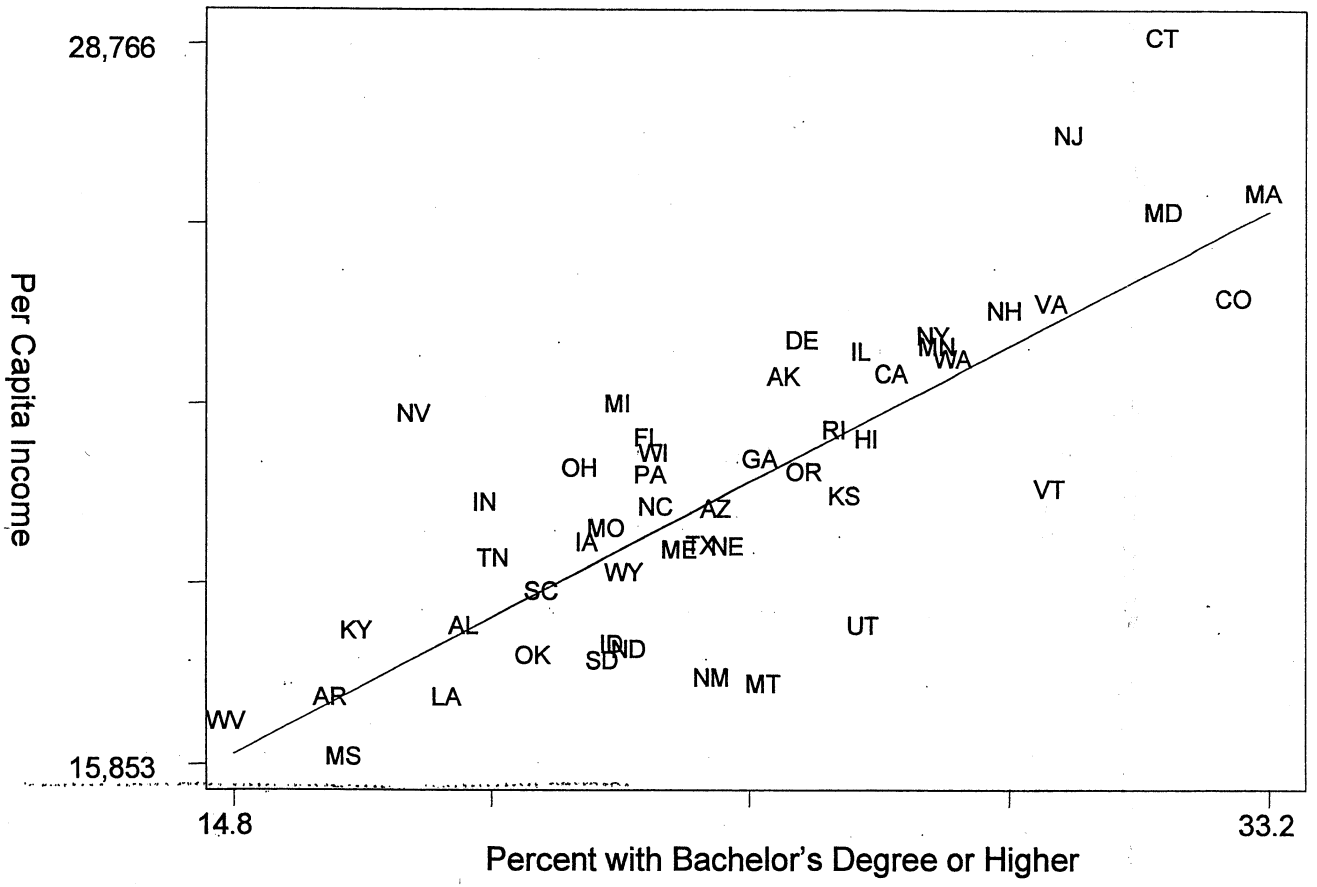
FIPS	Area name	2003
00	United States	31,487
01	Alabama	26,307
02	Alaska	33,015
04	Arizona	27,193
05	Arkansas	24,226
06	California	33,389
08	Colorado	34,542
09	Connecticut	42,810
10	Delaware	33,822
11	District of Columbia	48,280
12	Florida	30,116
13	Georgia	28,890
15	Hawaii	30,531
16	Idaho	25,354
17	Illinois	33,774
18	Indiana	28,843
19	Iowa	28,562
20	Kansas	29,651
21	Kentucky	25,907
22	Louisiana	25,853
23	Maine	28,453
24	Maryland	37,464
25	Massachusetts	39,776
26	Michigan	31,589
27	Minnesota	34,221
28	Mississippi	23,126
29	Missouri	29,199
30	Montana	26,244
31	Nebraska	30,750
32	Nevada	31,947
33	New Hampshire	34,547
34	New Jersey	39,737
35	New Mexico	24,903
36	New York	35,933
37	North Carolina	27,852
38	North Dakota	28,725
39	Ohio	29,938
40	Oklahoma	26,556
41	Oregon	29,175
42	Pennsylvania	31,730
44	Rhode Island	32,452
45	South Carolina	25,950
46	South Dakota	29,063
47	Tennessee	28,412
48	Texas	29,453
49	Utah	25,645
50	Vermont	30,103
51	Virginia	33,993
53	Washington	32,838
54	West Virginia	24,450
55	Wisconsin	30,613
56	Wyoming	32,316
	BEA Regions	
91	New England	38,026
92	Mideast	35,816
93	Great Lakes	31,292
94	Plains	30,582
95	Southeast	28,331
96	Southwest	28,506
97	Rocky Mountain	30,183
98	Far West	32,873

Footnotes for Table SA1-3

1. Midyear population estimates of the Bureau of the Census.
2. Per capita personal income is total personal income divided by total midyear population.
3. Alaska and Hawaii not included in U.S. or region totals prior to 1950.

- All state and local area dollar estimates are in current dollars (not adjusted for inflation).
- **(N)** Data not available for this year.

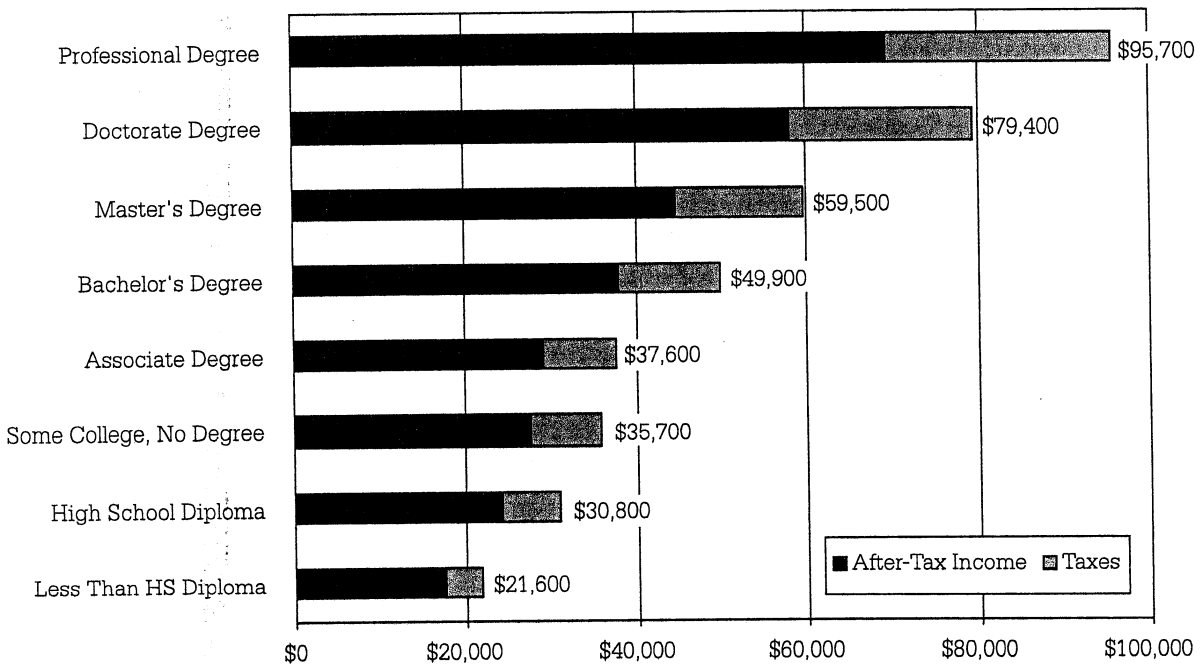
Relationship Between Educational Attainment and Personal Income by State, 2000



Source: U.S. Census Bureau, 2000 Census

Education, Earnings, and Tax Payments

Median Earnings and Tax Payments by Level of Education, 2003

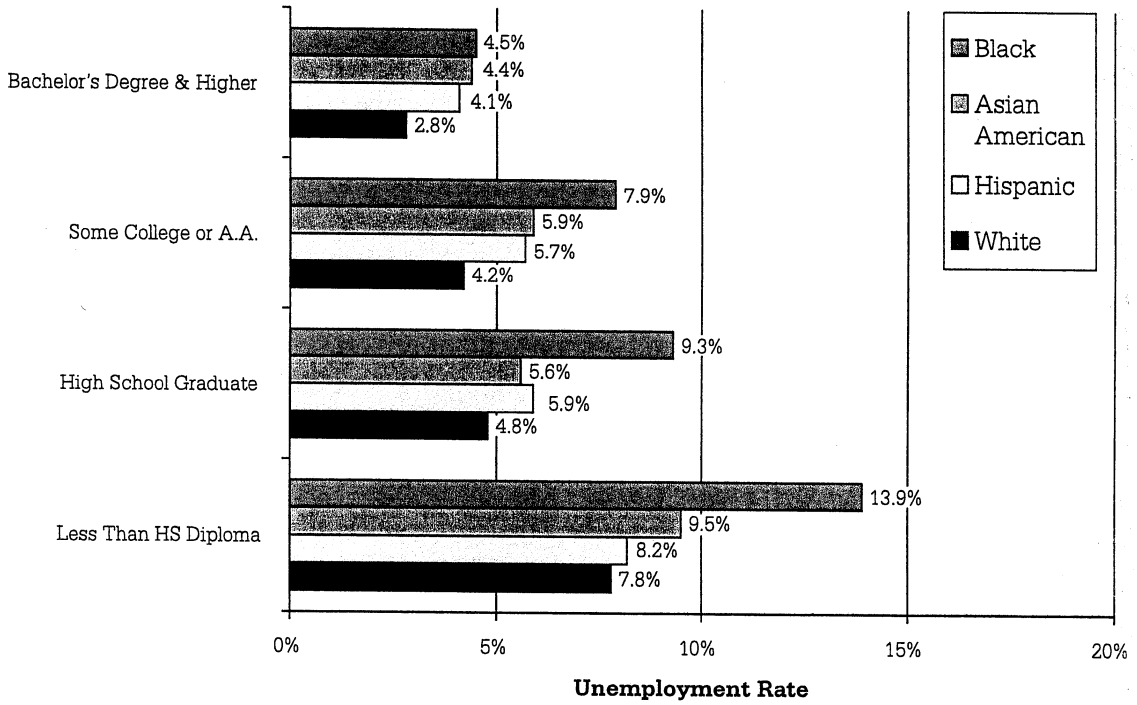


Notes: Includes full-time year-round workers age 25 and older.
Tax payments are based on 2002 tax rates and do not incorporate the 2003 federal income tax reductions.
Source: U.S. Census Bureau, 2004, PINC-03; Internal Revenue Service, 2003, Table 3; McIntyre, et al, 2003; Calculations by the authors.

The bars in this graph show median earnings at each level of education. The blue segments represent the average federal, state, and local taxes paid at these income levels. The black segments show after-tax income.

Unemployment

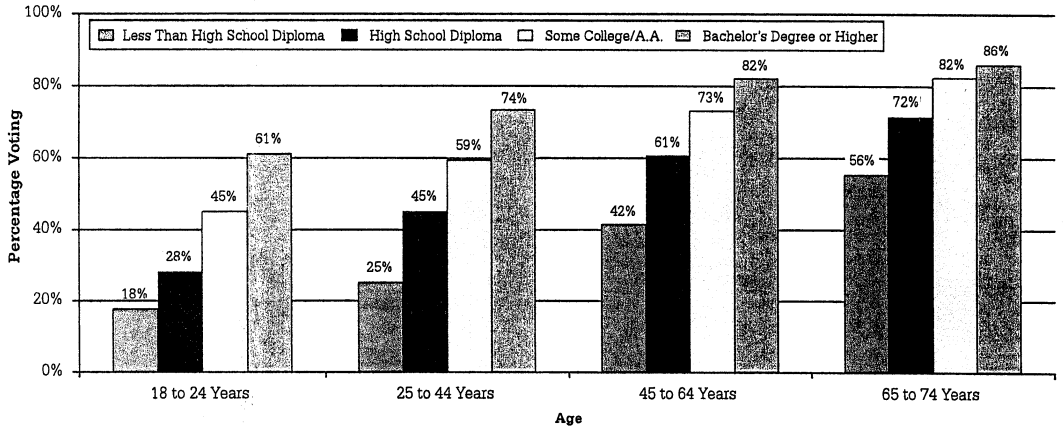
Unemployment Rates by Race/Ethnicity and Education Level, 2003



Note: Includes individuals 25 and older.
Source: *Monthly Labor Review*, 2004, Figure 12.

Voting

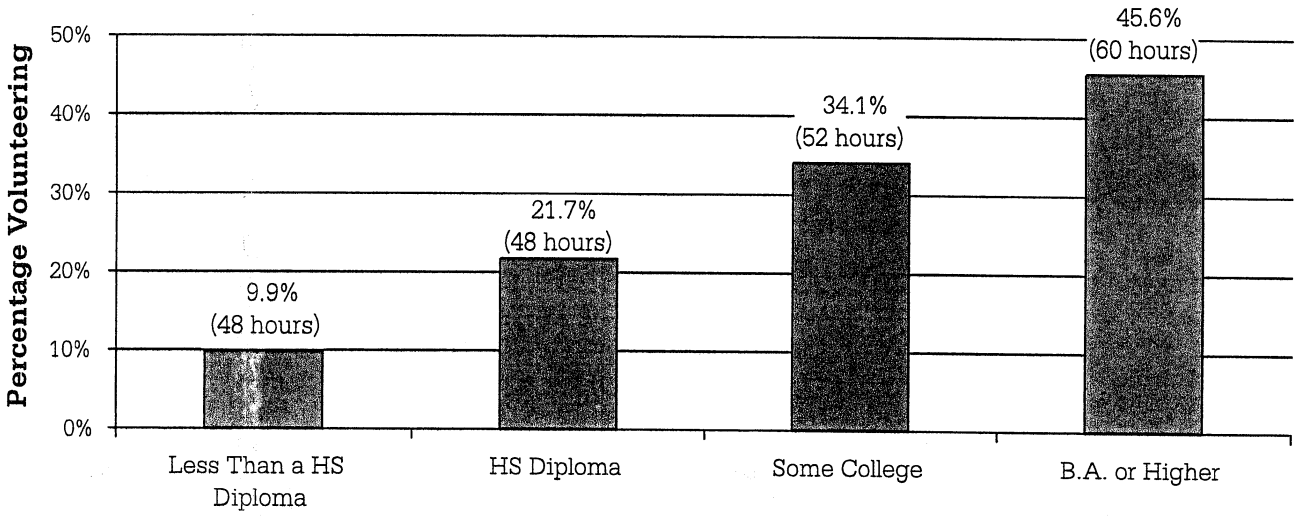
Reported Voting Rates by Age and Education Level, 2000



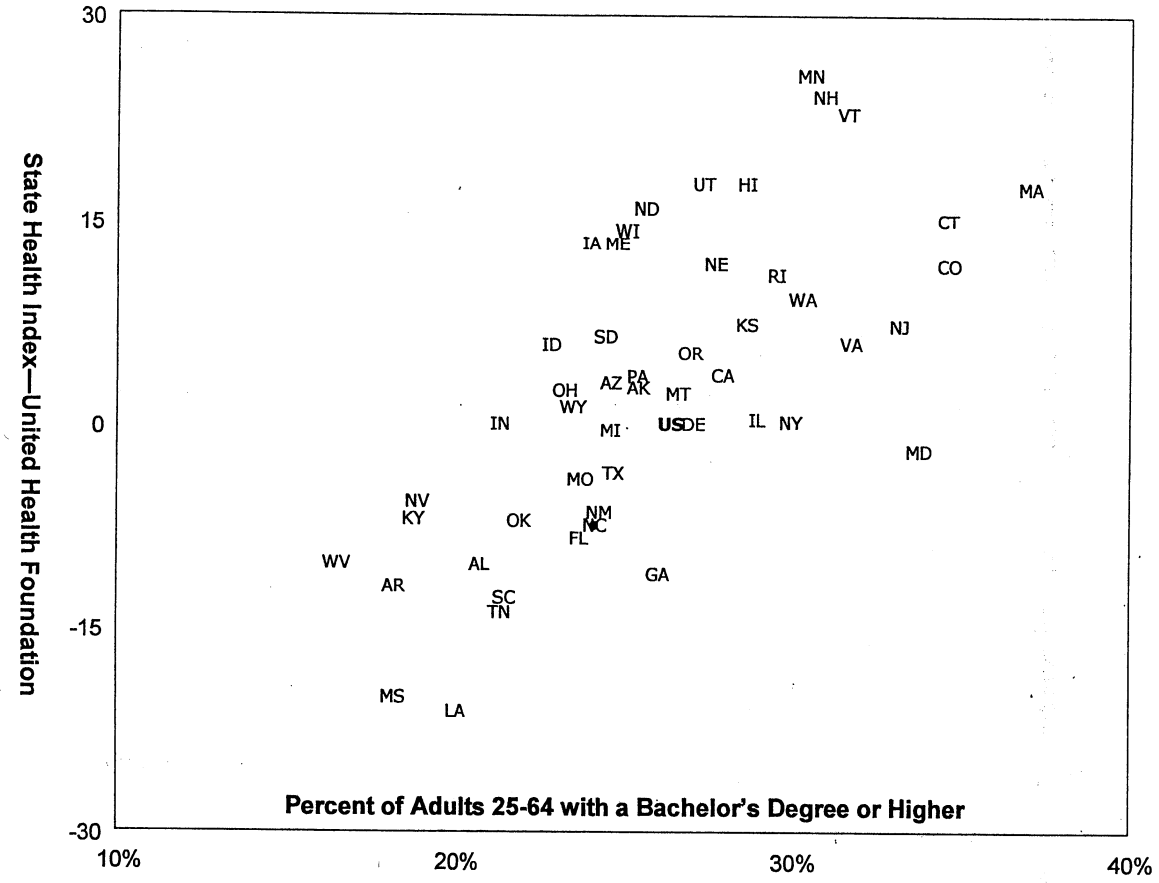
Source: U.S. Census Bureau, 2002b, Table 5.

Volunteerism

Volunteer Activity by Education Level, 2003: Percent Who Volunteer and Median Hours Per Year

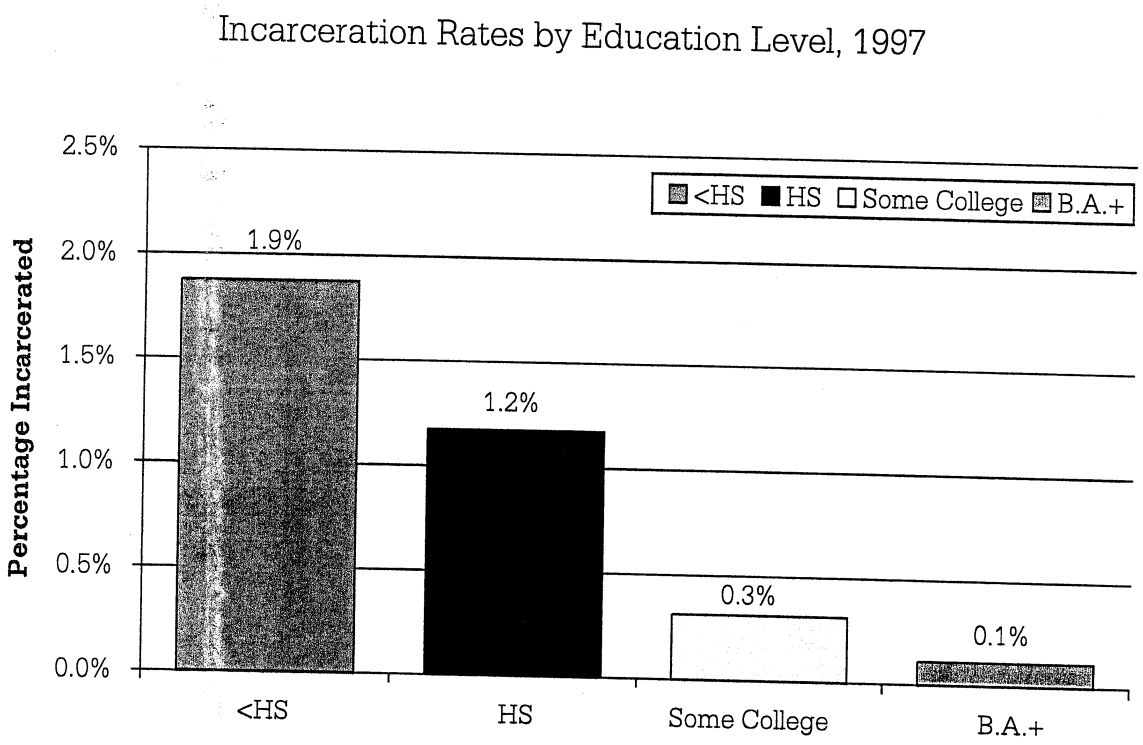


Relationship Between Educational Attainment and Health



Source: U.S. Census Bureau, 2000 Census; United Health Foundation

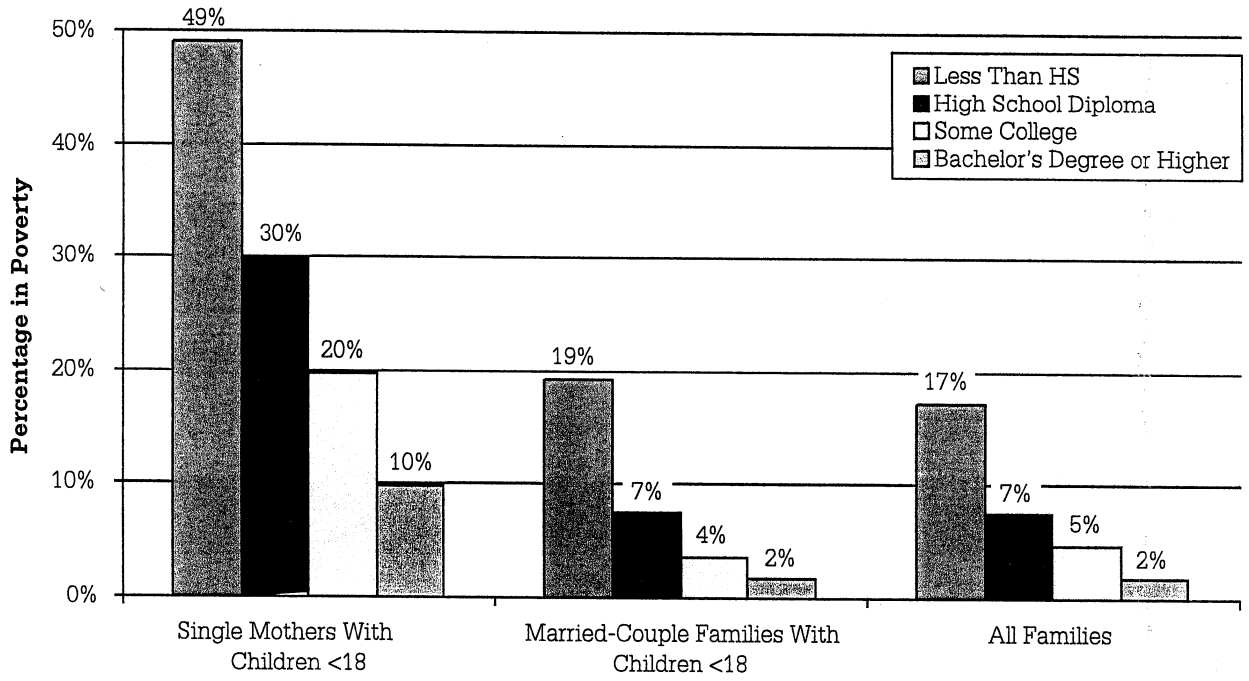
Incarceration Rates



Note: Including federal, state, and local prisons.
Source: Harlow, 2003.

Poverty

Poverty Rates by Household Type and Education Level, 2001

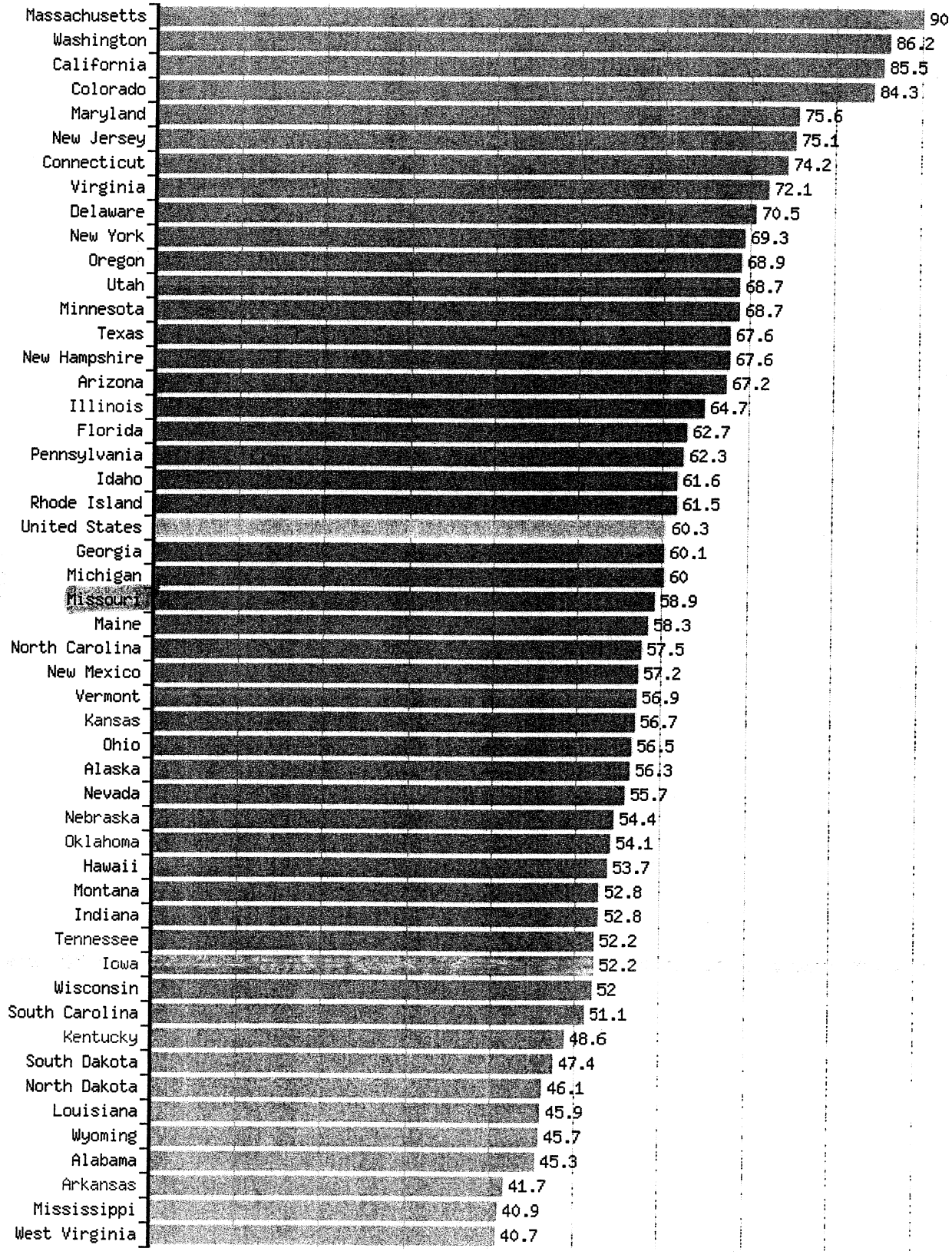


Note: Families are defined as households with two or more related individuals.
Source: U.S. Census Bureau, 2001, Table 8.

National State Technology & Science Index
Overall Index, 2004

State		Rank (2004)	Rank (2002)	Rank Change	Score (2004)
Massachusetts	MA	1	1	0	84.35
California	CA	2	3	1	78.86
Colorado	CO	3	2	-1	78.77
Maryland	MD	4	4	0	78.19
Virginia	VA	5	5	0	72.27
Washington	WA	6	6	0	69.87
New Jersey	NJ	7	7	0	69.03
Minnesota	MN	8	10	2	67.49
Utah	UT	9	9	0	66.49
Connecticut	CT	10	8	-2	66.26
Rhode Island	RI	11	21	10	64.01
New Hampshire	NH	12	13	1	63.43
Delaware	DE	13	11	-2	62.31
New Mexico	NM	14	20	6	61.75
New York	NY	15	12	-3	60.66
Pennslyvania	PA	16	16	0	60.36
Arizona	AZ	17	18	1	58.47
Georgia	GA	18	15	-3	58.10
Oregon	OR	19	23	4	57.76
North Carolina	NC	20	17	-3	57.28
Illinois	IL	21	19	-2	56.59
Vermont	VT	22	31	9	56.06
Texas	TX	23	14	-9	54.91
Ohio	OH	24	27	3	54.18
Michigan	MI	25	24	-1	54.01
Kansas	KS	26	22	-4	53.12
Wisconsin	WI	27	25	-2	51.76
Nebraska	NE	28	32	4	50.91
Indiana	IN	29	30	1	50.73
Idaho	ID	30	26	-4	49.03
Missouri	MO	31	28	-3	48.11
Florida	FL	32	29	-3	44.47
Maine	ME	33	36	3	43.47
Tennessee	TN	34	40	6	42.77
Oklahoma	OK	35	37	2	42.65
Alabama	AL	36	33	-3	42.36
Iowa	IA	37	35	-2	41.90
Montana	MT	38	34	-4	40.65
Hawaii	HI	39	43	4	40.05
Alaska	AK	40	39	-1	39.91
Wyoming	WY	41	38	-3	38.72
Louisiana	LA	42	44	2	36.66
Nevada	NV	43	42	-1	36.09
South Carolina	SC	44	41	-3	35.94
North Dakota	ND	45	45	0	34.55
West Virginia	WV	46	48	2	33.65
South Dakota	SD	47	47	0	33.31
Kentucky	KY	48	46	-2	32.61
Arkansas	AR	49	50	1	29.53
Mississippi	MS	50	49	-1	27.48
State Average					**52.64**

Benefits: State New Economy Index - Progressive Policy Institute



What is the competition doing in science and high tech development?

Indiana – has authorized $1 billion to establish a Research and Technology Fund

North Carolina – voters have approved $3.1 billion bond program to fund capital projects at the state's public universities

Oklahoma – has established a $475 million bond issue for higher education projects

Iowa – committed in 2005 to invest $500 million over next 10 years to establish the Grow Iowa Values Fund

Kansas – has committed $500 million for the Kansas Biosciences Initiative

Lessons Learned from
The Kentucky Experience With Higher Education Reform

1997 Kentucky Postsecondary Improvement Act (HB 1): The 2020 Vision

- A strong coordinating agency – CPE
- A clear, mandated long-range plan, priorities, and strategy than transcend individual political leaders
- Mission differentiation for the state's public institutions (a top Comprehensive Research University, a leading Urban University, Regional Universities with distinctive emphases, community college system reform)
- Autonomous local boards rather than a formal system
- Focus on 5 key questions:
  - Are more Kentuckians ready for postsecondary education?
  - Is Kentucky postsecondary education affordable to its citizens?
  - Do more Kentuckians have certificates and degrees?
  - Are college graduates prepared for life and work?
  - Are Kentucky's people, communities and economy benefiting?
- SCOPE (Strategic Committee on Postsecondary Education)

Council on Public Education
Policies and Strategies

- Funding formula for allocating resources (combination of unique benchmark targets and funding/FTE) that funds base capacity first and then allocates trust funds, contracts, and performance funding to achieve state priorities.

- Accountability measures and tools that encourage competition for each institution against itself rather than against each other, that take continuous improvement outlook, and that are made public.

- Rules and regulations that encourage being entrepreneurial rather than being compliant and that encourage joint programming (e.g., Statewide Engineering and Statewide Master in Public Health).

- Advocacy for higher education, responsibility for monitoring progress and ensuring accountability, information gathering, coordination among institutions, capacity to influence budget and review tuition.

- Close alignment with Economic Development and Public Education.

References/Sources

- Website: http://measuringup.highereducation.org/survey.cfm
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- Jones, D. P. (September, 2005). Shaping State Policy to Encourage Stewardship of Place. National Center for Higher Education Management Systems.
- The NCHEMS Information Center for State Higher Education Policy Making and Analysis. Website: http://higheredinfo.org/
- College Board (Baum and Payea). Education Pays 2004: The Benefits of Higher Education for Individuals and Society.
- The Milken Institute (March, 2004). State Technology and Science Index. Enduring Lessons for the Intangible Economy.
- U.S. Department of Commerce, Bureau of Economic Analysis

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Document 11:
CBHE Response to Interim Committee Questions provided by Dr. Greg Fitch
Letter dated November 28, 2005

MISSOURI DHE
DEPARTMENT OF HIGHER EDUCATION
3515 Amazonas Drive
Jefferson City, Missouri 65109
573-751-2361
573-751-6635 Fax
www.dhe.mo.gov

November 28, 2005

The Honorable Carl Bearden
Chair, Interim Committee on Student-Based Higher Education Funding Reform Models
Room 301, State Capitol
Jefferson City, MO 65101

Dear Representative Bearden:

During the hearing of the House Interim Committee on Student-Based Higher Education Funding Reform Models on November 4, 2005, the following questions pertaining to the Missouri Department of Higher Education (MDHE) were asked by the committee.

- What is the total number of international students enrolled in Missouri postsecondary institutions?
- How many A + Program recipients complete a two-year degree and transfer to a four-year institution?
- How does the MDHE track student retention rates?

Attachment 1 is a table displaying the total number of non-resident aliens enrolled in Missouri postsecondary institutions in the fall 2004. For reporting purposes a non-resident alien is defined as a person who is not a citizen or national of the United States and who is in this country on a visa or temporary basis and does not have the right to remain indefinitely.

The MDHE is currently analyzing how many A + students complete degrees at a two-year institution and transfer to a four-year institution. Hopefully that data will be available in the near future. However, Attachment 2 shows the total number of A + eligible high school graduates who enrolled in a two-year public institution versus a four-year public institution for an eight year period. The 1997 high school class was the first class in which A + high school graduates were eligible to receive A + funds to attend a community college.

Finally, student retention rates calculated by the MDHE are based on the number of students enrolling for the first time at a Missouri public institution and remain within the public sector of Missouri higher education. Students that leave the public sector by either dropping out of college, transferring to a Missouri independent institution, or who transfer to an out-of-state institution are not included in the retention rate and, therefore, reduce the overall retention rate of students first enrolling in a Missouri public institution. Processes are available at the national level to identify students first entering a Missouri institution who may transfer to a Missouri

independent institution or to an out-of-state institution. For the MDHE to access and monitor this data it would require additional financial and staffing resources. However, utilizing such a process would have the benefit of realizing a higher retention rate for Missouri students and provide more accurate data about our students.

If you have any additional questions or need additional information, please let me know.

Sincerely,

Gregory G. Fitch
Commissioner of Higher Education

Enclosures

c: House Interim Committee on Student-Based Higher Education Funding Reform Models

Attachment 1

TABLE 55

TOTAL HEADCOUNT ENROLLMENT AT PUBLIC INSTITUTIONS, BY ETHNICITY, FALL 2004

	Non-resident Alien	African American	American Indian	Asian	Hispanic	White	Unknown	TOTAL
PUBLIC BACCALAURATE AND HIGHER DEGREE-GRANTING INSTITUTIONS								
CENTRAL	350	552	53	105	182	8,297	512	10,051
HARRIS-STOWE	16	1,345	3	2	9	219	11	1,605
LINCOLN	155	1,156	14	30	42	1,828	50	3,275
MISSOURI SOUTHERN	137	125	125	61	101	4,706	1	5,256
MISSOURI WESTERN	11	540	41	37	109	4,327	0	5,065
NORTHWEST	186	147	28	64	97	5,298	410	6,230
SOUTHEAST	191	682	48	55	89	8,550	0	9,615
SOUTHWEST	467	435	181	239	269	16,638	885	19,114
TRUMAN	237	203	28	116	104	5,078	182	5,948
UMC	1,400	1,385	163	722	444	21,929	960	27,003
UMKC	785	1,526	110	705	480	9,377	1,273	14,256
UMR	600	218	23	142	100	4,023	298	5,404
UMSL	445	1,894	39	433	247	11,444	996	15,498
Subtotal	4,980	10,208	856	2,711	2,273	101,714	5,578	128,320
PUBLIC CERTIFICATE AND ASSOCIATE DEGREE-GRANTING INSTITUTIONS								
CROWDER	18	29	42	29	120	2,337	36	2,611
EAST CENTRAL	1	18	10	22	26	3,150	110	3,337
JEFFERSON	20	47	27	19	40	3,871	112	4,136
LINN STATE	2	7	8	7	8	825	11	868
METRO - BUSINESS AND TECHNOLOGY	2	20	1	3	11	305	15	357
METRO CC - BLUE RIVER	1	44	5	22	53	2,014	151	2,290
METRO CC - LONGVIEW	2	567	14	48	92	4,554	326	5,603
METRO CC - MAPLE WOODS	5	127	20	73	92	3,927	217	4,461
METRO CC - PENN VALLEY	65	1,328	16	149	231	2,830	220	4,839
MINERAL AREA	11	46	15	9	17	2,685	37	2,820
MOBERLY	7	193	9	41	33	3,349	64	3,696
NORTH CENTRAL	7	19	5	5	13	1,357	0	1,406
OZARKS TECH.	7	189	72	131	157	8,231	172	8,959
STATE FAIR	0	154	21	42	73	2,734	38	3,062
ST. CHARLES	21	247	32	97	101	6,274	0	6,772
ST. LOUIS CC - FLO. VALLEY	67	3,091	32	76	69	2,901	552	6,788
ST. LOUIS CC - FOREST PARK	158	3,095	28	239	104	2,811	762	7,197
ST. LOUIS CC - MERAMEC	188	428	61	291	206	9,890	1,056	12,120
SW- WEST PLAINS	6	19	21	8	26	1,551	15	1,646
THREE RIVERS	0	264	15	18	33	2,920	23	3,273
Subtotal	588	9,932	454	1,329	1,505	68,516	3,917	86,241
PUBLIC INSTITUTION TOTAL	5,568	20,140	1,310	4,040	3,778	170,230	9,495	214,561

SOURCE: IPEDS EF, Fall Enrollment

TABLE 56

TOTAL HEADCOUNT ENROLLMENT AT PRIVATE NOT-FOR-PROFIT (INDEPENDENT) INSTITUTIONS, BY ETHNIC

	Non-resident Alien	African American	American Indian	Asian	Hispanic	White	Unknown	TOTAL
								TOTAL
PRIVATE NOT-FOR-PROFIT (INDEPENDENT) BACCALAUREATE AND HIGHER DEGREE-GRANTING INSTITUTIONS								
AVILA	70	325	16	39	52	1,551	51	2,104
CENTRAL METHODIST	18	71	4	4	13	657	13	780
COLLEGE OF THE OZARKS	31	9	10	7	14	1,268	9	1,348
COLUMBIA	93	1,936	101	259	674	7,453	501	11,017
CULVER-STOCKTON	8	58	1	4	22	762	0	855
DRURY	99	147	32	59	92	4,329	0	4,758
EVANGEL	6	51	22	28	62	1,796	2	1,967
FONTBONNE	68	910	10	24	31	1,743	41	2,827
HANNIBAL-LAGRANGE	10	22	6	2	10	988	29	1,067
LINDENWOOD	416	1,076	27	53	117	5,933	993	8,615
MARYVILLE	48	186	9	44	42	2,367	444	3,140
MISSOURI BAPTIST	80	255	9	42	30	3,241	401	4,058
MISSOURI VALLEY	144	193	6	67	61	1,174	0	1,645
PARK	241	2,639	83	321	1,891	7,373	0	12,548
ROCKHURST	29	222	20	73	108	2,160	153	2,765
SAINT LOUIS	318	998	45	593	308	11,349	938	14,549
SOUTHWEST BAPTIST	17	61	13	19	22	2,597	716	3,445
STEPHENS	1	57	4	12	16	604	11	705
WASHINGTON	1,470	956	56	1,117	339	8,273	999	13,210
WEBSTER	342	5,622	109	465	1,038	9,985	1,477	19,038
WESTMINSTER	66	41	19	12	11	701	11	861
WILLIAM JEWELL	23	58	11	11	36	1,405	14	1,558
WILLIAM WOODS	88	59	7	6	18	1,662	351	2,191
Subtotal	3,686	15,952	620	3,261	5,007	79,371	7,154	115,051
PRIVATE NOT-FOR-PROFIT (INDEPENDENT) CERTIFICATE AND ASSOCIATE DEGREE-GRANTING INSTITUTIONS								
COTTEY	35	7	3	5	11	209	0	270
WENTWORTH	10	6	0	20	4	521	0	561
Subtotal	45	13	3	25	15	730	0	831
PRIVATE NOT-FOR-PROFIT (INDEPENDENT) TOTAL	3,731	15,965	623	3,286	5,022	80,101	7,154	115,882
STATE TOTAL	9,299	36,105	1,933	7,326	8,800	250,331	16,649	330,443

NOTE: Total enrollment counts may differ from those on other tables due to the fact that a different cohort of students was cou

SOURCE: IPEDS EF, Fall Enrollment

Document 12:
CBHE State Aid Task Force Recommendation Draft
Publication date of October 13, 2005

Attachment B
STATE AID PROGRAM TASK FORCE
October 13, 2005

The state student financial aid programs administered by the Missouri Department of Higher Education (MDHE), and other state aid programs administered by other state agencies, have been created by the Missouri General Assembly and signed into law by the governor over the past 30 years. Following is a consolidated list of state student aid programs and the state agencies responsible for administering the programs.

Programs currently administered by the Missouri Department of Higher Education (MDHE).
• Charles Gallagher Student Financial Assistance Program
(Section 173.200, RSMo)
• Missouri Higher Education Academic Scholarship Program ("Bright Flight")
(Section 173.250, RSMo)
• Marguerite Ross Barnett Memorial Scholarship Program
(Section 173.262, RSMo)
• Missouri College Guarantee Program
(Section 173.810, RSMo)
• Public Service Officer Survivor Grant Program
(Section 173.260, RSMo)
• Vietnam Veteran's Survivor Grant Program
(Section 173.236, RSMo)

Programs implemented and administered by the MDHE but discontinued over the years through the state budget process.
• Missouri Prospective Teacher Loan Program
(Section 168.550, RSMo)
• Advantage Missouri Program
(Section 173.775, RSMo)
• Bridge Scholarship Program
(No statutory authority - implemented through the state budget process.)

State programs designated to be administered by other agencies.

Department of Elementary and Secondary Education
• A+ Program
(Section 160.545, RSMo)
• Missouri Teacher Education Scholarship Program
(Section 160.276, RSMo)
• Minority Teaching Scholarship Program
(Section 161.415-161.424, RSMo)

Department of Agriculture

• Agriculture Scholarship Program
(No statutory authority)

Department of Health
• Nursing Student Loan Program
(Section 335.212, RSMo)

Department of Natural Resources
• Minority and Underrepresented Environmental Literacy Program
(Section 640.240, RSMo)

National Guard Association
• National Guard Association Auxiliary Scholarship
(No statutory authority - privately funded and implemented on a national basis.)
• National Guard Scholarship Program
(Section 173.239, RSMo)

State programs created by the Missouri General Assembly over the years that have never been funded.
• Higher Education Artistic Scholarship Program
(Section 173.724, RSMo)
• Higher Education Graduate Study Scholarship Program
(Section 173.196, RSMo)
• Higher Education Scholarship Program
(Section 173.196, RSMo)
• Maximum Pell Grant Program
(Section 173.053, RSMo)
• Missouri Access to Higher Education Trust Fund (Advanced Tuition Payment Contracts)
(Section 166.200, RSMo)

During the time period in which these programs were created, there was never a statewide coordinated plan on how to propose, create, implement, or fund state student aid programs in Missouri. As a result, the existing programs were created with different objectives in mind targeting different student populations.

Based on the experience of the MDHE in administering state student aid programs, the MDHE programs have well served Missouri citizens and have been fulfilling their original intent. However, over the period of time in which these programs were created, such things as funding, state budgets, student demographics, program and state needs have changed. This provides an opportunity for the state to review and evaluate the intent and existence of the current state aid programs.

With this history in mind and after the first few meetings of the task force, it became apparent that because of the current structure of the state student financial aid program process, all of the issues identified by the task force could not be addressed by December 2005 when the final

report is scheduled to be presented to the Coordinating Board for Higher Education. As a result the task force has identified some issues as short term for immediate action and those are presented as proposed recommendations in Section I of the draft report.

However, the task force has also identified an additional group of more complex issues that will require a longer term approach and are outlined in Section II of the draft report.

I. PROPOSED RECOMMENDATIONS FOR SHORT TERM ISSUES

1. Recommendation: Eliminate the high school academic criteria and the extracurricular activity from the student eligibility requirements so funds from the need-based Missouri College Guarantee Program can be awarded to eligible students based solely on the student's demonstrated financial need as defined by the current statutory program requirements.

Issue: The Missouri College Guarantee Program, a need-based program, also requires the following high school academic criteria to qualify for the program.

- 2.5 or higher high school grade point average
- 20 or higher score on the ACT or 950 or higher on the SAT
- participation in high school extracurricular activities.

By having these academic eligibility criteria included in a need-based program, some of the neediest students do not qualify. For example, the average ACT scores at some high schools with traditionally low college attendance rates, are less than 20. Also, during the application process, the high school grade point average and the high school extracurricular activities are verified for eligibility purposes based on self-reported data by the student on the ACT assessment record. This raises issues regarding the accuracy of the data and timing of the information being reported by the student.

Implementation: Eliminating these student eligibility provisions would require statutory amendments to Section 173.810, RSMo.

2. Recommendation: Require a 2.5 grade point average to be eligible as a renewal student for the following programs:

- Charles Gallagher Student Financial Assistance Program,
- Missouri Higher Education Academic Scholarship Program, known as "Bright Flight," and
- Marguerite Ross Barnett Memorial Scholarship Program.

Issue: There are inconsistent renewal eligibility criteria among state student aid programs. For example, the Missouri College Guarantee Program statute and the A + Program administrative rule require a student to maintain a 2.5 grade point average to be eligible as a renewal student while the other programs only require the student to maintain academic progress as defined by the postsecondary institution.

Having inconsistent eligibility criteria causes confusion for students and parents on what is necessary to maintain renewal eligibility to continue to receive state aid awards. For example, under the current program eligibility requirements, if a student is receiving a need-based award under the Missouri College Guarantee Program and a merit-based Bright Flight scholarship and has only maintained a 2.3 college grade point average, the student will no longer be eligible to receive the need-based award but would continue to receive the merit-based award.

Consistent renewal eligibility criteria would be less confusing to students and parents and would provide an expectation for the student to maintain eligibility for state awards. Also, if the renewal criteria were consistent for all programs, the verification of eligibility would be simplified at the institutions. Currently, the institutions must develop and maintain different processes to monitor the inconsistent renewal eligibility for the different programs.

Implementation: Would require amending the definition of academic progress within the administrative rules for these programs:

Charles Gallagher: 6 CSR 10-2.020,
Bright Flight: 6 CSR 10-2.080, and
Ross Barnett: 6 CSR 10-2.120.

3. Recommendation: Investigate options on how postsecondary institutions participating in the state aid programs could report enrollment and graduation data on students who receive state financial assistance from the state aid programs administered by the MDHE.

Issue: Currently, there is not a system or process in place for the MDHE to collect student data from institutions to determine if a student who receives state student financial assistance has completed a degree. This type of student data and information would be useful in analyzing the different programs and the performance of the individual state aid program recipients. The analysis of the student completion rates could also be useful in building future state budget requests for the programs.

Implementation: Begin to review ways institutions may already be reporting enrollment data on their students. One option would be to contact and work with the National Student Clearinghouse. The Clearinghouse is a non-profit organization that was established by the higher education community in 1993 and is a single point of contact for collecting, reconciling, and exchanging postsecondary enrollment and degree information. Institutions currently are required to report enrollment data to the Clearinghouse so this may be a source for the MDHE to obtain enrollment data on state aid program recipients. If the Clearinghouse data is not available, the MDHE should be directed to initiate and develop a reporting process with the institutions. This proposed data reporting process will not replace any existing reporting data requirements of institutions.

4. Recommendation: Amend the definition of a part-time student in the Marguerite Ross Barnett Memorial Scholarship Program administrative rule to specifically define a half-time and three-quarter time student. It is being proposed half-time would be defined as 6 to 8 credit hours and

three-quarter time would be defined as 9 to 11 credit hours.

Issue: Traditionally, the MDHE has more applicants than appropriated funds under the Marguerite Ross Barnett Memorial Scholarship Program. Currently, the student's award amount is calculated based on the actual number of credit hours enrolled for a particular semester. The current definition of a part-time student (6 to 11 credit hours) for the Ross Barnett Scholarship Program allows part-time recipients to receive larger semester and annual awards than students who must be enrolled full-time to receive awards under the other state aid programs administered by the MDHE. By redefining a part-time student to a half-time or three-quarter time status, funds could be reallocated within the program appropriation to award to other eligible applicants who otherwise may go unfunded. During the 2004-2005 academic year approximately 30 percent of the scholarship applicants remained unfunded due to the level of funds appropriated to the scholarship program.

Implementation: Would require amendments to the scholarship program administrative rule, 6 CSR 10-2.120.

5. Recommendation : Enter into a partnership with other state agencies that administer state financial aid programs so that those agencies could utilize the new MDHE FAMOUS (Financial Assistance for Missouri Undergraduate Students) system to support the administration of their state aid programs.

Issue: As noted earlier in this draft report, other than the state aid programs administered by the MDHE, there are 8 other state aid programs that are currently administered by 5 different state agencies. As a result of this structure, it can become confusing when students and parents inquire about state student financial assistance. This also requires the institutions to communicate and correspond in some instances in a non-automated environment with several different agencies to administer state aid programs at their campuses.

In April 2005 the MDHE deployed the new FAMOUS system. FAMOUS is a web-based system that supports the administration of the MDHE state aid programs. The current FAMOUS system contains multiple interfaces and was developed to build additional interfaces for necessary program and user access as needed. For example, all Missouri high schools can access the current FAMOUS system through the high school interface to check on the state aid program eligibility statuses for their high school seniors. The system provides the opportunity for the MDHE to work with other state agencies and provide assistance with the administration of their state aid programs.

Implementation: Identify the necessary contacts at the other state agencies and develop a coordinated plan to begin meeting with the agencies to discuss the advantages of utilizing the FAMOUS system.

These proposed recommendations provide an opportunity for the MDHE, CBHE, and the Missouri higher education system to move forward with a coordinated state student financial aid program improvement initiative. This opportunity would include presenting a legislative package

to the Missouri General Assembly during the 2006 legislative session that improves and simplifies certain aspects of the state aid program process. Other opportunities will arise as the task force moves forward with its work in the upcoming months.

II. LONG TERM ISSUES FOR FURTHER DISCUSSION

As noted earlier in the draft report, the task force has identified a group of complex issues that will require a long term approach. The long term issues identified by the task force to date are the following:

program funding,
program award amounts,
distribution of need-based awards,
current program structure, simplification and consolidation of programs, and
redistribution of appropriated state dollars within existing state programs to fund additional students.

Relating to program funding, the state aid programs administered by the MDHE have been level funded since FY 2003. Therefore, the task force is approaching these complex issues and discussions assuming no additional funds will be appropriated by the Missouri General Assembly and the governor to the state aid programs in the near future.

Additionally, the task force will continue to discuss and evaluate various program models to determine program award amounts and how to distribute need-based awards. If a different model to distribute need-based awards is adopted by the task force, the model will demonstrate how awards could potentially be distributed among the different sectors of postsecondary education based on some assumptions and state aid program tendencies, as well as the existing FY 2006 state student aid program funding levels.

[from the October 13, 2005 CBHE Board Book–portion of Tab R]

Document 13:
ICUM Response to Interim Committee Questions
Provided on Wednesday, December 7, 2005

Missouri Independent Colleges and Universities

Response To Requests From The Interim Committee on Student-Based Higher Education Funding Reform Models

1

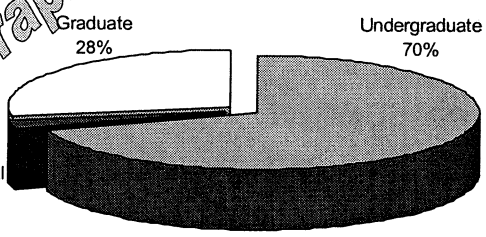
Request:

Compare headcount enrollment of public vs. independent institutions.

2

2004 Total Headcount Enrollment in Missouri Independent Colleges and Universities

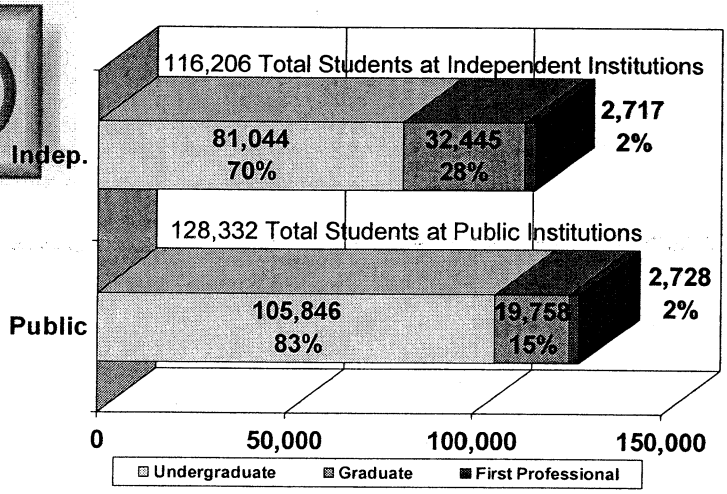
Original Graph



Source: Missouri Department of Higher Education 2004-2005 Statistical Summary, Table 30

3

Response: 2004 Total Headcount Comparison



Source: Missouri Department of Higher Education 2004-2005 Statistical Summary, Tables 29 & 30

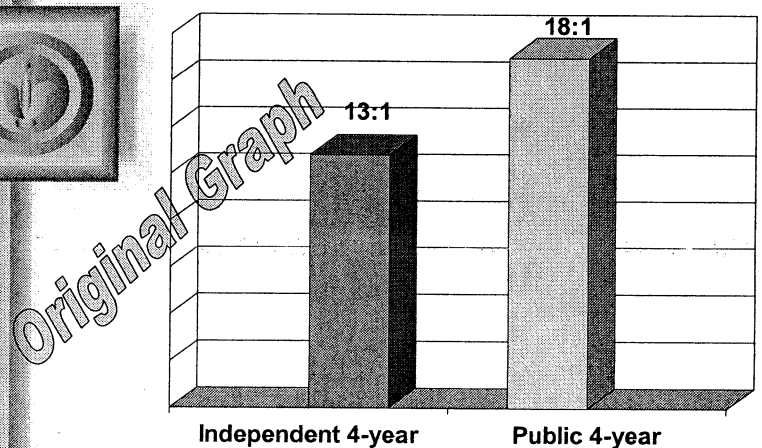
4

Request:

Compare state to national student-to-faculty ratios.

5

Student-to-Faculty Ratios are Lower at Independent Colleges and Universities

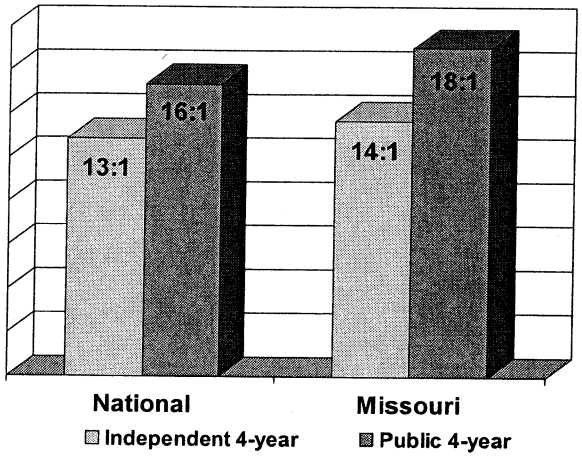


Source for Independent 4-year: U.S. Department of Education, National Center for Education Statistics, Higher Education General Information Survey (HEGIS) and Integrated Postsecondary Education Data System (IPEDS), "Fall Staff" surveys. Instruction and research assistants are excluded.

Source for Public 4-year: Missouri Department of Higher Education 2004-2005 Statistical Summary, Table 87

6

Response: State vs. National Student-to-Faculty Ratios



Source for National data: U.S. Department of Education, National Center for Education Statistics, Higher Education General Information Survey (HEGIS) and Integrated Postsecondary Education Data System (IPEDS), "Fall Staff" surveys. Instruction and research assistants are excluded.

Source for Missouri data: Public 4-year, Missouri Department of Higher Education 2004-2005 Statistical Summary, Table 87. Independent 4-year – institution website and/or admission office.

7

Request:

What would the ethnic population breakdown look like if foreign students were not included?

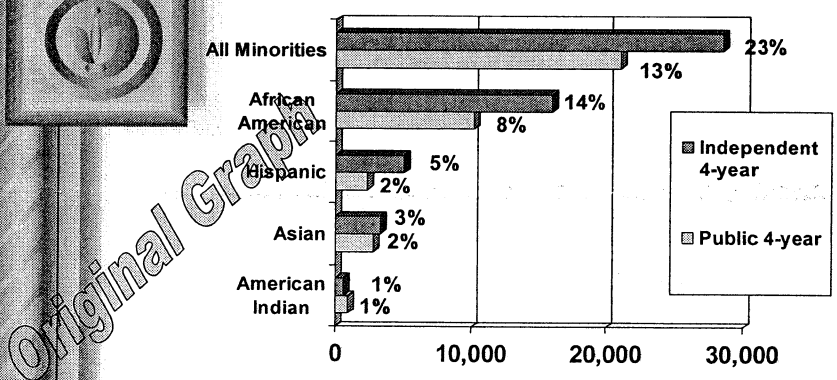
8

Response

- Foreign students were **not** included in the original graph
  - They are categorized as 'Non-Resident Aliens'
- Also not included in the original graph was the category 'Unknown'

9

Independent Colleges & Universities Educate Students from Diverse Backgrounds

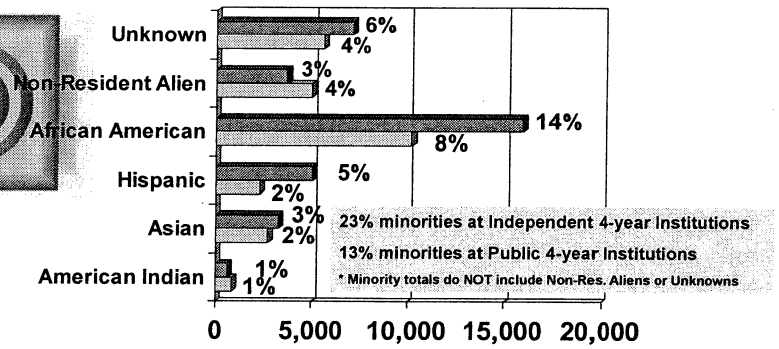


Original Graph

Source: Missouri Department of Higher Education 2004-2005 Statistical Summary Tables 55 &56 (Total Headcount)

10

Revision: Ethnic Breakdown plus Non-Resident Aliens and Unknowns



	American Indian	Asian	Hispanic	African American	Non-Resident Alien	Unknown
Independent 4-year	620	3,261	5,007	15,952	3,686	7,154
Public 4-year	856	2,711	2,273	10,208	4,980	5,578

Source: Missouri Department of Higher Education 2004-2005 Statistical Summary Tables 55 &56 (Total Headcount)

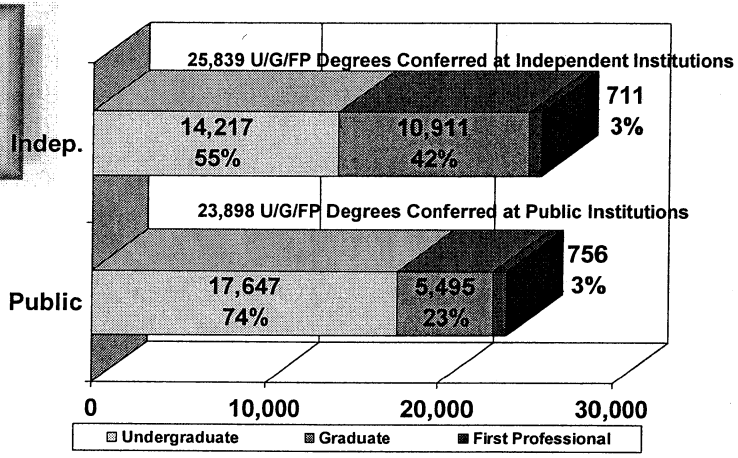
11

Request:

Compare, with percentages, the breakdown of degrees conferred by public vs. independent institutions.

12

Response: FY 2004 Degrees Conferred Comparison



Source: Missouri Department of Higher Education 2004-2005 Statistical Summary, Tables 95 & 96

13

Request:

What is the in-state vs. out-of-state residency for other states or on a national average?

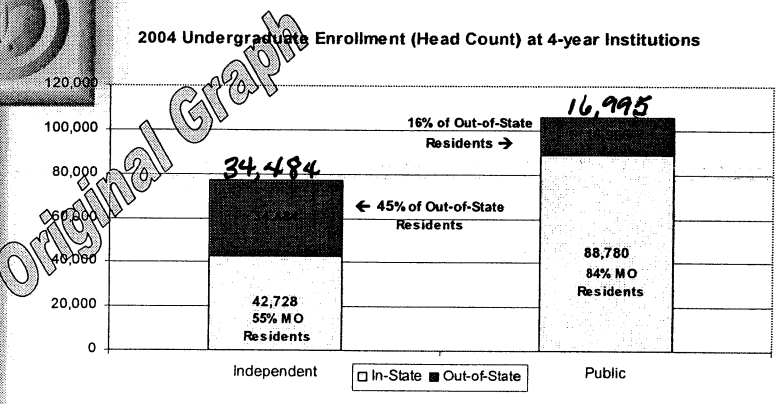
14

Response:

This information is not readily available. It is not reported consistently among states. States that include residency data, often report the residency rates at public institutions, only.

15

Student Residency



Source: Missouri Department of Higher Education 2004-2005 Statistical Summary, Tables 77 & 78

16

Request:

How many graduates, especially out-of-state residents, stay in Missouri after graduation?

17

Response:

Post-graduate retention is not systemically tracked by universities as there are no reporting requirements of graduates. The alumni and foundation offices of each institution may have empirical data on retention, but there is no standard among universities. Independent institutions believe there is substantial retention of out-of-state graduates, either in the work force or enrolled in post-graduate studies.

18

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